Manchester Metropolitan University

Business — School —

Business Practices in Social Enterprises

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Executive Summary

Organisational effectiveness is based on the ability to define and produce desired outcomes. As with many small businesses, the managers of social enterprises need to be skilled in more than one management function to make their organisations effective. According to EUROPA (www.europa.eu.int), the provision of training to build the skills of social enterprise managers *'remains fragmented and there are few accepted standards… There is therefore a need for better-targeted and widely available training in social enterprise management'*.

This project began with the title 'Benchmarking in Social Enterprises'. As empirical evidence on which to develop benchmarking in the area of Social Enterprise was lacking the project began with research to identify business and management issues. This led to the development of an analysis tool that would offer managers action steps to develop their enterprises. This tool became known as 'Balance'.

The main purpose of the project was to undertake skills analyses of SMEs in the Social Enterprise sector. These aims were to identify higher level management and organisational development/skill needs in order to support strategies for lifelong learning that take into consideration the nuances of Social Enterprises.

The project focuses particularly on understanding learning that occurs through experiential routes and via networks that is grounded in the day-to-day activities of the enterprise. As it is known that small business owners prefer to learn as informally as possible, this was believed to be the most appropriate vehicle for delivering skills development within Social Enterprises.

> *'There is a wealth of relatively easily accessible data for scholars conducting research into traditional business and management issues. Additionally, there are a significant number of well-respected journals for each discipline, most of which have not historically published much related to the social sector. Good social sector data is more difficult to find, and the outlets for publishing are limited'*.
> www.fuqua.duke.edu/centers/case/faculty/research.html Center for the Advancement of Social Entrepreneurship.

This report provides a context to the project by summarising the small amount of literature that relates to Social Enterprises in their many forms (Part 1). This includes a discussion of what can be defined as a 'Social Enterprise'.

Background research was undertaken to ensure that the project was based on a clear understanding and analysis of the needs of Social Enterprises and that its methodology (Part 2) and content reflected those needs.

The project began with gathering empirical evidence, fifteen qualitative interviews with key Social Enterprise support agencies and Social Enterprises within Greater Manchester. The resulting data were integrated into a 'loose'

framework, based on Kaplan & Norton's balanced scorecard (BSC) using qualitative causal mapping software (Decision Explorer & NVivo).

An indepth analysis of the findings (Part 3), from the interviews was conducted which identified key issues (concepts).

The findings formed the basis for the development of 'Balance' – a Social Enterprise business performance analysis tool (Part 4). The 'Balance' tool was then piloted with 30 social enterprises, the findings are discussed in Part 5.

The principle outcome is to highlight to Social Enterprises the opportunities for learning through their day-to-day activities. The outcomes, since they are directly related to the context within which the organisations work, will be directly appropriate to and of benefit to the target group.

Our findings from the 'Balance' business performance analysis tool reveal social enterprises have similar organisational issues to that of other small businesses. However, social enterprises we found, were more advanced and strategic. As expected, participative cultures existed and enterprises were strongly mission focused. Many social enterprises however, were slow to develop marketing strategies, evidence suggests needs based focus, as opposed to developing brand and differentiation strategies. Social enterprises were reactive to stakeholder needs, rather than proactively marketing their social values or demonstrating their organisational effectiveness through quality marks, such as PQASSO.

In conclusion, the balance concept was well recieved and evidenced through the findings where all 30 pilot organisations demonstrated clear balance across the issues of multi-bottom line, stakeholder perspective, learning and growth, internal activities and visioning.

Acknowledgements and Project Team

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1 Rationale

1.1 Project Objectives

The 'Benchmarking Social Enterprises' project aimed to improve the effectiveness of how organisations are managed by developing a tool to identify areas for competence improvement.

The project set out to:

- Develop an interactive benchmarking tool to help Social Enterprises identify shortfalls in management/organisational skills and the competences needed to meet changing business needs.
- Evaluate social enterprise networks in terms of their support and opportunities for learning and their contribution to the skills uplift.
- Facilitate informal learning and knowledge sharing through social enterprise networks.
- Identify mechanisms to support skills uplift and assist social enterprises in developing strategies which reflect their business and competitiveness needs.
- Identify specific management and workforce development needs to inform appropriate bodies such as the Small Business Service (SBS) and Learning Skills Council (LSC).
- Disseminate findings to inform the development of evidence-based policy that can increase lifelong learning, adaptability and employability.

1.1.1 Support and 'fit' with Local and National Initiatives

The UK government is committed to developing a co-ordinated approach to supporting social enterprise at a regional and sub-regional level. For example The Phoenix Development Fund (www.sbs.gov.uk/default.php?page= /phoenix/pdf.php) was established in November 1999 as part of the Government's strategy for using entrepreneurship to tackle social exclusion and support the National Strategy for Neighbourhood Renewal which was launched in January 2001. Publicly funded bodies providing business support services have been established to develop a co-ordinated approach to supporting Social Enterprises at a sub regional level.

The project directly complements a range of local initiatives including:

- Third Sector Enterprises' and SFEDI's projects and initiatives to support social enterprises.
- The North West Development Agency's (NWDA) regional economic development strategy.
- The Learn Direct-University for Industry (UFI) initiative in Manchester ('North West England's Social Inclusion Commitment') which recognises the potential for the social enterprise sector to contribute to the social and economic regeneration of the region.

The project directly complements a range of national initiatives including:

- Research conducted by the Social Investment Task Force, the Social Enterprise Coalition, Social Firms UK, the Social Exclusion Unit and the National Strategy for Neighbourhood Renewal. This may lead to a better understanding of Social Enterprises, enabling targeted support through need identification.
- Current work being undertaken by SFEDI to adapt small business owner manager standards for the social enterprise sector. The SFEDI work will aid the development of the benchmarking tool.
- The Small Business Service's future research agenda for Social Enterprises, which will build on the themes of collaboration through networks, knowledge sharing and informal learning. The overall project will complement this agenda by highlighting to social enterprises the opportunities for learning through their day-to-day activities.
- The University for Industry/Learn Direct strategy by developing company strategies which will enhance participation in learning.

1.2 Project Background

Alexander (2002) states:

> '*There are real problems with the fragmented availability of good quality and appropriate business advice. Similarly, some social enterprises may find it difficult to access examples of good practice*'.

Survey results (May 2003) from the North West Development Agency (NWDA) for Greater Manchester (GM) identified that 49% of social enterprises within the region are affected by skills gaps. In Lancashire 38% are experiencing a skills gap among their staff. The GM survey also revealed that the training support available through agencies such as Learning and Skills Councils, local authorities and umbrella organisations 'did not cater for their requirements'.

Since 2002 the UK government has:

- Included social enterprise in government strategy for small businesses.
- Required Business Links operators across the country to include provision of support for social enterprises.
- Made all DTI business support mechanisms available to social enterprises.
- Published a review of the financing of social enterprises (with the Bank of England).
- Launched 23 Community Development Finance Institutions (CDFIs) with the goal of raising £100 million of investment over the next three years for social enterprise initiatives.
- Announced an £11million boost to the Phoenix Fund to promote entrepreneurship in the UK's most disadvantaged areas.

Source: Harding & Cowling (2004)

Although the results of these strategies reported by government indicate rapid and substantial progress has been made in supporting Social Enterprises and the social economy. Hines and Thomas (2004) note that skilled, focused support delivery is poor leaving the Social Enterprise sector:

> *'frustrated about the difficulties they have in obtaining even basic advice to help them with the many tasks that face them in the daily running of their businesses… there appears to be relatively little progress in developing skilled focused support for the social enterprise sector, and they remain rather cynical and disillusioned about the quality of the support provided'.*

1.2.1 Learning within Social Enterprises

Apart from the general skills and abilities needed to establish or develop a small business or a Social Enterprise there may also be a requirement for a range of technical and practical skills that are specific to the enterprise's focus. The managerial skills needed to run a successful business need to be learnt and adapted to enhance the likelihood of long-term business success or sustainability. According to the Department for Education and Skills (DFES 2005, p.6), in relation to SMEs:

- Skills are central to achieving our national goals of prosperity and fairness. They are an essential contributor to a successful, wealth creating economy. They help businesses become more productive and profitable. They help individuals achieve their ambitions for themselves, their families and their communities.
- Yet the weaknesses in our national skills performance have been well-rehearsed. They go back generations, reflecting powerful economic and social factors.

The NWDA (Greater Manchester) survey highlighted skill gaps within the Social Enterprise sector, particularly at the higher managerial level, as an area of concern. The recent Employers Skill Survey identified that 52% of organisations who reported management skills gaps amongst their staff identified this as a key constraint to competitiveness. Within the Social Enterprise sector, EUROPA (www.europa.eu.int) report that the provision of training to build the skills of social enterprise managers:

> *'…remains fragmented and there are few accepted standards… There is therefore a need for better-targeted and widely available training in social enterprise management.'*

The DTI has also highlighted the importance of business networks/clusters in helping to develop social enterprise:

> *'…research has shown that small businesses typically develop people by informal means, relying on experiential learning that is not formally accredited'.*
> www.sfedi.co.uk/ourWork/ourWork.htm

There is a need to understand the role that networks, experiential and informal (lifelong) learning[1] play in social enterprises in order to exploit the opportunities for appropriate learning support. To date research on social enterprises reveals the barriers to learning, particularly relating to higher level skills that contribute to growth and development, which include:

- Managerial structures that tend to be flatter than in fully commercial organisations due to a participatory culture and a strong sense of social mission and community. This may result in a lack of mechanisms and infrastructure for surfacing skill gaps leading to the social enterprise being unaware that they have a skills gap (Understanding Social Enterprise - Social enterprise London, 2001).
- A lack of trust and confidence in mainstream support agencies particularly amongst ethnic minority social enterprises.
- Diversity in the sector, which means that generic training packages are not flexible enough to respond to the particular problems felt within different businesses at various stages of development. Learning support, therefore, needs to be more flexible and responsive to individual needs.
- A need to understand better how managers learn.

This project addresses these barriers through:

- Focusing on the needs of social enterprise, in terms of developing a greater understanding of their social and financial 'bottom-line(s)', in order to provide information to support agencies so that appropriate learning support strategies and policy are developed for social enterprise. This is a key enabler to growth of the sector.
- Providing a mechanism, through the development of the tool, to allow organisational capacity to be assessed and skill and learning needs addressed.
- Working with SEDI, who have established relationships within communities, to increase trust and confidence in mainstream support.
- Informing and encouraging the development of innovative learning support solutions that take account of how managers learn and utilise informal sources of information to develop organisational capacity.

1.2.2 Enterprise Culture

In order to understand the Social Enterprise sector today, it is helpful to briefly consider the social and historical context from which they have emerged.

In 1948, the Government took prime responsibility for the planning, funding and provision of services such as health, education and social welfare which led to the eventual decline of friendly societies. Voluntary organizations complemented or supplemented the 'welfare state', with their traditional markets

[1] Lifelong learning is defined here as:
'a comprehensive and visionary concept which includes formal, non-formal and informal learning extended throughout the lifespan of an individual to attain the fullest possible development in personal, social and vocational and professional life' (Aitcheson 2003, p.165).

diminishing as the state undertook provision of most of the services previously afforded by friendly societies. The late 1970s and 1980s saw social and political changes, reductions in public expenditure, new attitudes to social problems and new expectations from citizens. Under the Thatcher government (1979-90) the welfare state model was replaced by a new social policy framework based on neo-liberalism - free market fundamentalism replaced democratic idealism where the government pursued deregulation, privatisation and reliance on the market and private philanthropy which created economic and social inequality (Tickel & Peck 2003). However, it is claimed that social demographic changes and the economic problems surrounding a universal welfare programme are stimulating a renewal of social enterprise. Opportunities have been created due to the continuing devolution, deregulation and privatization of state and local government services in the last decade:

> '*By central and local government* [moving] *away from the grant-funding of voluntary and community organisations towards contracting with them to provide various services has accelerated both the business-like behaviour of the organisations and strengthened their self-perception as community or social enterprises. This trend has been re-inforced by the continuing process of contracting-out services which were previously provided by the local state, thus increasing trading opportunities for voluntary and community organisations.*'
> (Pearce 1999, p.6)

Over the last 20 years there has been a move from offering unrestricted grants to giving contracts for specified activities or services. There are arguments that this is a bad move, undermining the sector's independence. Others suggest contracts can protect independence, because they make clear what has been agreed between funder and provider.
(www.ncvo-consult.org.uk/survey.asp?s=01090044139071030)

Salamon et al (2003) point to a recent growth in Social Enterprises due to factors such as increased public expectations and dissatisfaction with inflexible market and state mechanisms leading to demands, through citizen activism, for improved service delivery. With expanding state services, a more plural approach to welfare is prominent and the voluntary sector is again providing some essential welfare services. Government is now the biggest funder of voluntary and community organisations - and this is largely through contracts and not grants. Relatively few social enterprises benefit from large scale public fundraising and Social Enterprises report intense competition for grants, whilst some endowed charitable trusts have seen the value of their endowments decline dramatically over recent years due to economic downturns and rising costs (Charities Aid Foundation www.cafonline.org/venturesome/approach04.doc). According to Tony Blair (2002):

> '*Our vision is bold: social enterprises offer radical new ways of operating for public benefit. By combining strong public service with business acumen, we can open up the possibility of entrepreneurial organisations - highly responsive to customers and with the freedom of the private sector - but*

which are driven by a commitment to public benefit rather than purely maximising profits to shareholders'.
(Tony Blair, Forward to Social Enterprise White Paper, DTI 2002)

Labour's Small Business Minister has also recently stated that social enterprises are seen as a viable alternative to the private sector (Tyler 2005).

1.2.3 Problems of Definition

Social Enterprise?
According to the UK Treasury (2005) there is a sizeable body of data available on charities and the 'social economy' (in its widest sense). However, identifying the particular contribution made by social enterprise is difficult - not least because there is no easy, established definition of what constitutes a social enterprise. In recognition of the vagaries of the term 'social enterprise' Kendall & Knapp (1995, p.66) refer to it as 'A Loose and Baggy Monster'.

A data mapping group established by the DTI's SEnU (Social Enterprise Unit) concluded that it was difficult to determine the number, or economic contribution, of social enterprises as there have not been any comprehensive studies to date. They concluded that more carefully defined research is needed to fully map the social enterprise sector (www.hm-treasury.gov.uk/media/288/ F4).

Social enterprise is a generic term used within studies published by independent organizations and scattered among academic journals from many disciplines including management and organisation, economics, sociology, political science and public administration. The main types of definitions therein:

- Stress the important role of social entrepreneurship in maximising the value from social capital in the community.
- Assume social enterprise is mainly about commercial businesses which have a social purpose and mission.
- Refer to voluntary sector (not for profit) organisations that become enterprising and financially sustainable rather than dependent on donations, grants and volunteer labour.

According to Smallbone et al (2001, p.18) international evidence suggests that social enterprises are more common than is often realised. They identify 16 different forms of social enterprise (p.17) accepting that identification is dependent upon which definition is used. Alter (2004) confirms that social enterprise is an emerging field that is currently ill-defined, suggesting that many Social Enterprises defy neatly labelled boxes. Some social enterprises fall within all of the definitions whilst others may adhere to only one.

According to Communities Scotland (www.communitiesscotland.gov.uk) and the Nonprofit Enterprise and Self-sustainability Team (NESsT www.nesst.org/ faq.asp) social enterprises are referred to as comprising 'the third sector', 'the not-for-profit sector', 'the voluntary sector' and the 'social economy' made up of 'voluntary organisations', 'non-profit businesses', 'community enterprises', 'social purpose business', 'civil society organisation', 'nongovernmental organisations' 'charities', 'non-profit enterprise' 'self sustainability team' and others.

These terms are used interchangeably which makes the literature very confusing where writers attempt to differentiate one ‘sector’ from another. For example, Social Enterprise London differentiates between social enterprises and voluntary organisations by assuming that the former seek to be self-sufficient by generating income in the market whereas the latter traditionally depend on donations, grants and volunteer labour. However, the Plowden Report (2001) points to the involvement of voluntary organisations in ‘quasi-commercial activities’ using managerial practices.

Social Enterprise activities are also heterogeneous and diverse ranging from ‘artistic ventures’ (NEF 2001) to ‘voluntary enterprise’ (Pearce 1999). Due to the current complicated legislative framework social enterprises are forced into either a business-finance or a charitable model (Thornton 2003). A new legal framework will be introduced in July 2005 that will enable social enterprises to raise finance from private investors by allowing them to return some of their profits via dividends (Tyler 2005). These ‘Community Interest Companies’ (CICs) can be structured as a private company, limited by shares guarantee, or a public limited company. However, as Burrows (2004) points out, established social enterprises structured under IPS (industrial and provident society) may be reluctant to change to a CIC because they would lose tax relief presently received by social enterprises originally set up as charities.

Little research has been conducted to quantify the significance of the Social Enterprise sector (Tyler 2005). Due to the range of definitions and interpretations, compounded by ‘company registration’ under different frameworks, ECOTEC (2003) raise the key point that social enterprise cannot be identified solely by legal form or pre-set categories meaning that mapping social enterprises is problematic. However, by using ‘tight’ interpretations of the DTI definition they have provided a crude estimate of the total number of social enterprises in the UK of around 5,300. The Social Entrepreneurial Activity index according to Harding & Cowling (2004) indicates that around 6.6% of the UK’s adult population is engaged in some form of social entrepreneurial activity either setting up, owning or running an activity or enterprise with social purposes.

Social enterprises are multi-sector and may be found in, for example, health, environment, education and social welfare as well as economic development or job creation programs. They include non-profit and other charitable organisations involved in commercial activities to find new ways to be self-reliant and viable in the long run. According to Conaty (2001) social enterprises can be placed diagrammatically (see Fig.1) in between charitable organisations and the private sector, ranging from the trading activities of charities at one end, to mutual businesses at the other.

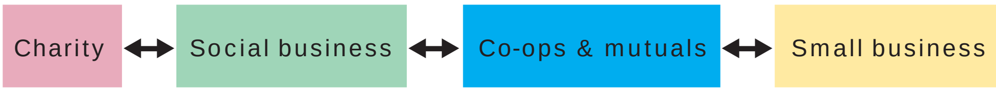

Figure 1: The mutuality bridge (Conaty, 2001)

Dees (1998) suggests that because of the complex structure of third sector organisations, and variance in their definition, any generalisations are problematic which affects our understanding of the Social Enterprise sector. Howell (2005) makes the following point:

> *'The field is fragmented by several factors: confusing terminologies that restrict exchange and learning among researchers; a lack of cross-disciplinary dialogue and research; low levels of theory development compared to research on government or business; an unhelpful separation of UK social policy researchers from 'development' researchers; a preponderance of narrow, micro-level organisational case studies which are often anecdotal and have limited value for comparative study; tensions around theoretical and 'applied' research agendas and between researchers and practitioners, which tend to weaken the academic quality and applicability of much research to date.'* (p.5)

Sustainability?

According to the Global Reporting Initiative (www.globalreporting.org/guidelines/archives/March99/Other/FEE.asp) there is a wide range of interpretations of sustainability used in social, political, environmental and financial circles, making it a highly subjective term with no agreed definition. Most approaches are concerned with the continuation of activities following the withdrawal of external or donor resources. In relation to Social Enterprises:

> *''Sustainability' is about ensuring long-term business success while contributing towards economic and social development, a healthy environment and a stable society'.*

These social, economic and environmental dimensions are encapsulated in the concept of the 'triple bottom line'.

> *'As well as these three components, there is also a process element to sustainability, concerned with accountability, transparency and engagement with stakeholders'*
> (www.sustainability.com/developing-value/what-is-sustainability.asp)

Although Barraket (2004) notes:

> *'There is some debate about whether sustainability equates with financial self-sufficiency from earned income. Some argue that financial self-sufficiency is important for social enterprises to maintain their autonomy and entrepreneurial capacity, while others argue that financial self-reliance is neither possible nor an appropriate measure of success where social*

enterprises are absorbing the social costs of responding to the needs of highly disadvantaged individuals and communities, and producing positive social and environmental outcomes.'
(Barraket, 2004, p.3)

Not for Profit?

In the North American model a social enterprise may be incorporated either as a for-profit or non-profit. It is, however, important to recognize that social enterprises are not defined by their legal status: legal status may be arbitrary. A social enterprise's structure or model is not a definitive determinate of its legal status (Alter 2004, p.41). To describe UK social enterprises as 'not for profit' is misleading. Pearce (1999, p.2) uses the definition:

'Enterprises or organisations which have a clear social purpose and are non-profit distributing in the same way as community enterprises. Implicitly, social enterprises will have a local rather than a regional or national focus'.

Pearce also defines non profit distribution: 'any profit is recycled into the enterprise or into the local community rather than distributed to members' (p.2) as opposed to the North American terms 'not for profit' or 'non-profit', recognising the importance of making a profit and focusing attention of what is done with that profit. According to Maiello (1997) the basic differences between social enterprises and traditional non-profit organisations are an entrepreneurial starting point, a continuing agenda, a greater degree of autonomy from the state and the provision of innovative responses to needs not met by the state and market. Rather than profit maximisation, Social Enterprises may have multi-bottom lines (mission, values and responsibilities to clients, staff, volunteers and other stakeholders such as those providing the revenue stream) (Anheier 2000). Some of these will be more important than others dependent on the nature of the field of activity.

According to Mayo (2002), charities in the UK raise more from investments than donations and a third of their income (£5.5b in 2001) from the sale of goods and services. According to Wallace (2003), in relation to charities, while no definitive statistics show how many non-profit groups operate business ventures, an online survey commissioned by the Pew Charitable Trusts (Massarsky & Beinhacker, 2001) suggests that the number could be significant. Of the 519 charities that participated in the survey, 217 said that they run an earned-income venture, and another 28 reported having run ventures in the past designed to supplement the money the charities bring in through donations.

In general, non-profit organizations may operate 'business' ventures as long as those ventures are directly related to pursuance, or extension, of the Social Enterprise's social mission. Non-profits exist along a spectrum of activity, starting with traditional fee-for-service charges and extending into full-scale commercial activity.

'Little research has systematically examined the concept of being business-like in a non-profit organization setting despite the increased importance of this concept in research, policy, and practitioner communities.'
(Dart, 2004, p.1)

Social Sustainability?

Alter (2004, p.8) provides a spectrum to identify where Social Enterprises are located between traditional non-profits and for-profits, where corporate social responsibility, social investing and sustainable development show how more actors are pursuing a blend of financial, social and environmental value or 'total value creation' (p.9).This spectrum (see Figure 2 below) may be a more accurate reflection of the present social enterprise 'environment'. This project is focused on the social sustainability end of the spectrum.

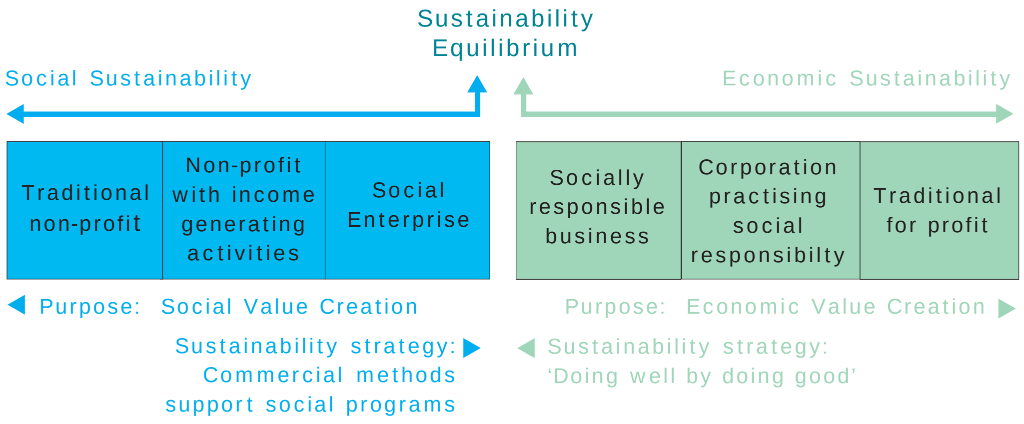

Figure 2: Sustainability Spectrum: (Alter 2004, p.8)

Any definition is likely to be contentious. However, this project recognises Social Enterprises as socially oriented businesses whether they are totally fund dependant (e.g. charities) or whether they create surpluses for re-investment in the organisation. We also align with the EMES ('economic' and 'social indicators') criteria (see 1.2.3.1). We therefore define social enterprises as:

Businesses with the specific purpose of addressing 'social', 'community' or 'environmental' aims through a business structure that allows them to be sustainable.

Social Enterprise Indicators

We recognise the criteria of the EMES 'economic' and 'social indicators', that help to define Social Enterprises, (www.emes.net/en/recherche/emes/analyse.php) which are stated below (excluding economic indicator (d) which requires a minimum level of paid workers, on the grounds that some people, even owners of start-up businesses, work for nothing at times).

Economic Indicators:

a) A continuous activity producing goods and/or selling services: Social enterprises, unlike the traditional non-profit organisations, are normally not engaged in advisory activities as a major goal or in the redistribution of financial flows (as, for example, grant-giving foundations). Instead they are directly involved in the production of goods and the provision of services to people on a continuous basis. The provision of services represents, therefore, the reason, or one of the main reasons, for the existence of social enterprises.

b) A high degree of autonomy: Social enterprises are voluntarily created by a group of people and are governed by them in the framework of an autonomous project. Although they may depend on public subsidies, public authorities or other organisations (federations, private firms, etc.) do not manage them, directly or indirectly. They also have the right of participation and to terminate the project.

c) A significant level of economic risk: Those who establish a social enterprise assume totally or partly the risk of the initiative. Unlike most public institutions, their financial viability depends on the efforts of their members and workers to secure adequate resources.

Social Indicators:

a) An initiative launched by a group of citizens: Social enterprises are the result of collective dynamics involving people belonging to a community or to a group that shares a certain need or aim. They must maintain this dimension in one form or another.

b) A decision-making power not based on capital ownership: This generally means the principle of 'one member, one vote' or at least a voting power not distributed according to capital shares on the governing body which has the ultimate decision-making rights. The owners of the capital are obviously important, but the decision-making rights are shared with the other stakeholders.

c) A participatory nature, which involves the persons affected by the activity: Representation and participation of customers, stakeholder orientation and a democratic management style are important characteristics of social enterprises. In many cases, one of the aims of social enterprises is to further democracy at local level through economic activity.

d) Limited profit distribution: Social enterprises not only include organisations that are characterised by a total non-distribution constraint, but also organisations like co-operatives in some countries, which may distribute profits only to a limited extent, thus avoiding a profit-maximising behaviour.

e) An explicit aim to benefit the community: One of the principal aims of social enterprises is to serve the community or a specific group of people. To the same end, a feature of social enterprises is their desire to promote a sense of social responsibility at local level.

1.3 Business Management and Performance

Increasingly, public service delivery is via market mechanisms, where competitive tendering is based on 'Best Value' with an emphasis on accountability under New Public Management standards. However:

> *'New Public Management' (NPM) is a slippery label. Generally, it is used to describe a management culture that emphasizes the centrality of the citizen or customer, as well as accountability for results. It also suggests structural or organizational choices that promote decentralized control through a wide variety of alternative service delivery mechanisms, including quasi-markets with public and private service providers competing for resources from policymakers and donors'.*
> (www1.worldbank.org/publicsector/civilservice/debate1.html)

The voluntary sector's dependence on government or philanthropic grants (dependency model) has changed to a business based 'contract culture'. Social Enterprises are seen as customer focused quality providers but face competition in procuring contracts between others working in a similar field, either other Social Enterprises or private companies. Meanwhile options for grant funding are diminishing and Social Enterprises face difficulties in securing long-term funding with increased competition for resources. There is also a political 'push' to become commercial (sustainable) and form socially responsible partnerships with the business sector. In a review of the social economy in Scotland, Mcgregor et al (2003) report that 54% of all respondents identified difficulty in obtaining appropriate funds as the main obstacle to developing or sustaining organisations.

Competition, scarce resources and the push towards sustainability through not-for-profit commercialisation has led to an emphasis on competitive strategies and financial management with models and tools imported or copied from the business world (ergo the management of costs and revenues for profit maximisation). These do not 'fit' with the social enterprise model, which has several 'bottom lines':

> *'Financial management is first and foremost formal management, not management of purpose and mission.'*
> (Anheier 2000, p.5)

The lines dividing commercial and social enterprises are blurring. Social enterprises are not only increasingly accountable to funders but are also facing growing demands for transparency and public accountability (Herzlinger, 1996; Krug & Weinberg, 2004). The public are concerned about fundraising practice, regulation and independence. The chief executive of the National Council for Voluntary Organisations recognises:

> *'the sector is more feted than it has ever been. But it is also more subject to criticism… we need to demonstrate good practice across a range of operational issues.'*
> (Etherington, 2001)

Reports of financial scandals have increased scrutiny. This has led to the growth of 'watchdog' organisations who provide information to potential charitable donors about the efficiency of potential recipients (for example the American Institute for Philanthropy www.charitywatch.org/).

Pressures to prove efficiency and compete for funding have led to the adoption, implementation and integration of business tools and marketing tools, for example in fostering partnerships with business and government funders (Goerke, 2003). According to Conti (2002) the most applicable business tools for non-profits are strategic planning, technological capacity building (fund-raising, databases, internet and e-mail), marketing and new management practices. Networks, including media networks, academic networks and funding networks also play a crucial role in the success of a social enterprise.

Running, a social enterprise is a dynamic process. Constantly adapting, to ever-changing environments, management decisions may have a ripple effect on other aspects of the business. This is a balancing act requiring strategic reflection and analysis on the part of managers and stakeholders in achieving an ongoing sustainable impact by incorporating business strategy to accomplish vision. As long ago as 1978, Newman & Wallender warned:

> *'The popular belief that business management concepts can be applied readily to not-for-profit enterprises needs qualification. Not-for-profit enterprises differ widely; each has its own managerial needs, and many have discriminating constraints that sharply modify which concepts will be effective.'*
> (Newman & Wallender, 1978, p.24)

Anheier (2000) presents a model of the non-profit form as a conglomerate of multiple organisations with multiple bottom lines that demand a variety of different management approaches and styles. He further suggests that 'the management of non-profit organisations remains ill understood because our understanding of these organisations has not gone deep enough'.

> *'The notion of non-profit organisations as multiple organisations and as complex, internal federations or coalitions requires a multi-faceted, flexible approach, and not the use of ready-made management models carried over from the business world or public management. This is the true challenge nonprofit management theory and practice face: how to manage organisations that are multiples and therefore intrinsically complex.'*
> (Anheier, 2000, p.8)

Standard business tools are not readily translated for use in the Social Enterprise context and cannot fully replicate standard business practices (Anheier 2000). For example, the use of business terminology and an emphasis on measurement in relation to a single bottom line (financial) rather than financial / social and environmental factors. Management approaches need to be sensitive to the tendency of non-profit organisations to have multiple bottom lines.

Methods of attributing monetary values to the costs and benefits of outputs are continually being improved in order to demonstrate to funding agencies that the enterprise has clear goals and that resources are being managed effectively. However Social Enterprises need to understand and identify cause-and-effect relationships in order to strengthen their underlying strategies, transparency and accountability. Strategic planning is an essential part of management. However, planning processes can consume great amounts of time and resources that small Social Enterprises may lack.

A further issue for managing and measuring the performance in social enterprises is the difficulty in articulating business objectives in a measurable way. For many Social Enterprises, social value is their only expressed measure, which quite often may be intangible and difficult to quantify. An array of financial measures are common, from equilibrium of income to under spend through to profit generation, which is more commonly referred to as surpluses. The issues outlined here are complex and as Speckbacher (2003) comments:

> *'Profit as a single valued measure for success does not work because other output dimensions that profit measures do not capture are as important.'*
> (Speckbacher, 2003)

Performance measurement systems from the business world have delivered less than was hoped for (Taylor 2004). Performance measurement and control are inherently problematic in terms, for example, of the stakeholder interests served (Holloway 1999). Taylor (2004) also suggests that the development of a comprehensive and reliable performance measurement system is expensive, both in terms of generating data, staff time and investments in information technology:

> *'In summary, the performance captured by a particular set of measures will always be partial and contextual, reflecting the fact that the measures have been selected, analyzed and interpreted through the lenses of the organizations and individuals involved with the process.'*
> (Taylor, 2004, p.13)

1.3.1 Business Measurement Tools in social Enterprises

The use of performance measurement tools, by business managers and the problematic adoption of these tools by social enterprise are briefly discussed in this section.

According to the Social Enterprise Partnership (2003):

> *'Many social enterprises see impact measurement as a burden, rather than a source of competitive advantage or a useful management tool. Understanding of measurement tools appears limited across the sector, and little work has been done at a sector wide level to see how existing tools work for social enterprises. Presently a number of tools already exist but are not necessarily accessible'.*

There have been many evaluation and associated measurement tools developed in the business world in the last decade. However, there is no research or independent verification of their successful use.

> *'There is a new awareness that mechanistic measures do not give a realistic answer - neither to complex questions of attribution no as to whether any particular intervention has any tangible impact.'*
> (Hailey & James 2003, p.4)

Paton (2003) critically appraises the relevance of 'mainstream' management ideas and their adaptation to social enterprises, demonstrating that performance measures are not the universal solution promised. They are useful but only in a loose and variable way. He argues that 'the very reasons why activities are undertaken in the non-profit sector are also the reasons why performance measurement will be deeply problematic' (p.49). He stated that: 'the prospects of a breakthrough in the measurement of social enterprise performance are not good' (p81). Paton (2003, p.6) suggests that 'performance is a multifaceted, fluid, problematic, ambiguous and contested concept' all further complicated by different sectoral and stakeholder perspectives (Pestoff, 1998). Therefore 'measuring' social performance through rationalisation must be like counting bacteria without a microscope.

A more detailed account is given below of 'benchmarking' best practice and the 'Balanced Scorecard', used in the private sector, which are critically appraised. Despite their inherent weaknesses, in respect of social enterprise outlined in this section, concepts from these 'tools' were used as a loose framework to develop 'Balance' which was designed to overcome these inherent weaknesses.

Benchmarking

A benchmark is a point of reference for a measurement. The term originates from the distinctive chiseled horizontal marks that surveyors made on rocks, walls or buildings to use as reference points. It is generally accepted that modern benchmarking in business ('best practices', 'strategic' or 'process' benchmarking) began as a way to improve the productivity of manufacturing operations in the late 1970s. In particular, Xerox Business Systems sought to emulate Japanese competitors who were selling better quality copiers for less than the manufacturing costs of similar products in the USA (Camp, 1989). However, benchmarking is not entirely modern, for example:

> *'In the 1800s, British textiles mills were absolutely the best in the world. In contrast, American mills were still in their infancy when it came to producing all types of textiles. Francis Lowell, a New England industrialist, set out to change this situation by upgrading business technology in the United States. Lowell traveled to England where he studied the manufacturing techniques and industrial design of the best British mill factories. He saw that the British plants had much more sophisticated equipment but the British plant layouts did not effectively utilize labor. In short, there was room for improvement.'*
> (www.bestinclass.eapps.com/bestp/domrep.nsf/Content/63F59EB2FF2333A285256DDA0056B48B/$file/benchmarking_book_chapter1.html).

Benchmarking is the process of comparing performance with other organisations, identifying comparatively high performance organisations, and learning what it is they do that allows them to achieve that high level of performance. It is a method which should be used on a continual basis as best practices are always evolving. The procedure is as follows:

1) Identify your problem areas
2) Identify organizations that are leaders in these areas
3) Study their best practices
4) Implement the best practices
5) Repeat

Benchmarking was a strategy supported by the DTI (1996) to improve the competitiveness of SMEs. However, Paton (2003) reports that benchmarking is very rarely used by social enterprises and those that have, or intend, to use it are almost always the large ones.

Balanced Scorecard

The balanced scorecard (BSC) is a strategic performance measurement and management tool (Kaplan & Norton 1996; Kaplan 2001) designed for the private sector acting as a communication/information and learning system, to measure 'where we are now' and 'where to aim for next'. It prescribes a plan for translating 'vision' and 'strategy' into concrete action across four perspectives (measures), which will all be at different stages, depending on the business. These perspectives are 'financial', 'customer', 'internal processes' and 'learning and growth', each of which are connected by cause-and-effect relationships that reflect the firm's strategy (see Figure 3). However, despite the enormous investment in performance measurement systems there is little empirical evidence of the impact of this investment (Zingales & Hockerts, 2003) and there are few studies addressing the use of a balanced scorecard within small companies.

Kaplan & Norton (1996) suggest that the BSC could be easily transferable to non-profit organisations so one would expect it to be equally useful to social enterprises. However, tools such as the BSC are tailored for business and do not focus on social performance (Pestoff, 1998; Paton, 2003). The BSC has been criticised for its neglect of any environmental or community issues and its absence of a people perspective (Bourne 2002; Brignall 2003), referred to as 'relationship capital' by Marr & Adams in their 2004 critique.

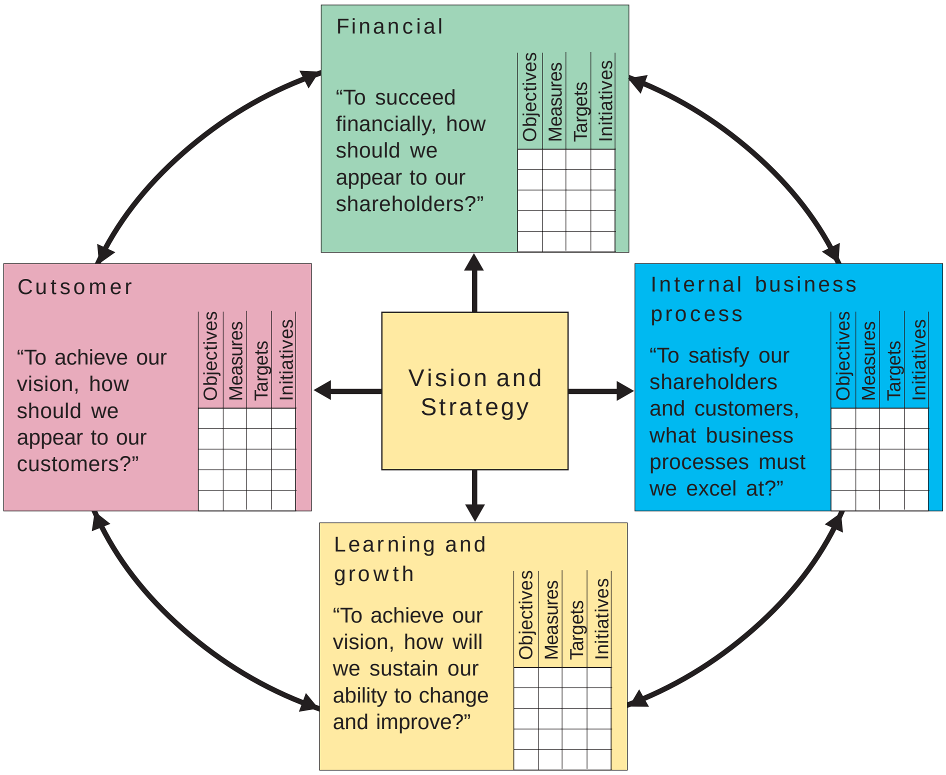

Figure 3 The Balanced Scorecard
Source: The Balanced Scorecard Institute
(www.balancedscorecard.org/basics/bsc1.html)

1.4 Summary

This rationale and background to the report has achieved three aims:

- To place this project in context by explaining its rationale, objectives and overall fit with local and national initiatives in supporting skills uplift in Social Enterprises and identifies barriers to the learning process.
- To set Social Enterprises in their social and historical context a brief review of enterprise culture is given, followed by a review of literature surrounding the 'loose and baggy monster' that Kendal & Knapp (1995, p.6) use to describe the complexities of the term 'social enterprise'. This has been extended to the definitional complexities of the terms 'sustainability' and 'not for profit', leading to our definition of social enterprises.
- To review progress in management development in Social Enterprises, in particular, to highlight the role to date of benchmarking and performance management tools.
- This background exploration ultimately led to our decision to develop the balanced scorecard to be applicable to Social Enterprises. Whilst paying attention to the need for experiential learning in Social Enterprises.

2 Research Design

Following the literature review, an investigation of management practices in social enterprises was undertaken. The aim was to look at various aspects of the business in order to understand the key issues, barriers and idiosyncrasies of the sector. Our research sought to investigate and understand the actual practices of owner/ managers, imbedded in the situation specific environments of social enterprises. Qualitative methodologies were preferred, seeking to understand phenomena rather than mere verification of previous theories. Curran and Blackburn (2001) argue that quantitative research methods are not as effective as qualitative research methods in capturing and explaining the nuances and idiosyncrasies of working practices in small businesses. Qualitative research gives a richer appreciation of the experience of decision-making activities (Carson 1990, Sexton and Landstrom 2002). Qualitative data is built around the concepts of themes and individual differences and developing theory through the dense descriptive matter. Hill and McGowan (1999) suggests the need for an approach to research that reflects the unique characteristics and circumstances within small firms, advocating qualitative, grounded and ethnographic research as the advised route to understanding the small firm. Therefore, a qualitative and grounded approach was taken.

2.1 Research Methodology

We began with five preliminary open-ended interviews which took place with key Social Enterprise support agencies and Social Enterprises within Greater Manchester. The interview questions were based on three key areas; the sector, the skill needs in the sector and the barriers Social Enterprises face. The interviews provided grounding for the subsequent research. A literature search that was conducted in order to develop a greater understanding of the sector (familiarisation and focusing) and to establish a framework. The balanced scorecard (BSC) was identified as a baseline and framework due to its flexibility for adaptation and its inclusive approach to business development. Ten semi-structured interviews with Social Enterprises across Greater Manchester and Lancashire were conducted over a three month period. Interviews were open-ended. An evolving question set framework (aide memoir) was planned around the five key areas of the BSC; finance, customer, internal operations, learning and strategy. This structure provided the coding headings (N'Vivo nodes). The majority of interviews lasted between one and two hours, were tape recorded, supplemented with observations and note-taking and then subsequently transcribed for analysis. Subsequent issues emerged from the interview analysis. A 'grounded theory' (Glaser & Strauss 1967) approach was taken in order to saturate the BSC framework with data we coded from the interviews. The recruitment of owner/managers for the in-depth interviews was undertaken by building on existing links, consultation with steering group members and partners and finally through snowball sampling once interviews were underway.

3 Qualitative Findings

The 15 interviews were conducted with a cross section of Social Enterprises across Greater Manchester and Lancashire. The findings are discussed here around the topic areas of the BSC: Financial, Customer, Learning and Growth, Internal Business Process, and, Vision and Strategy.

3.1 Financial

Many social businesses in recent years have experienced the upheaval of political change to the sector from grant to contract funding. We observed a wide range of stages of maturity in the businesses we met. Some Social Enterprises were considering the legal status that would best fit their business objectives. Others were considering beginning, or were well versed, managing their financial resources in terms of budgeting to equilibrium or to creating surpluses. One of the difficulties we saw was that many people didn't necessarily see themselves as 'being in business' or their organisations as 'businesses'. One manager explained:

> *"It wasn't really a business. It didn't have any life as a business in the early days, our main things was getting funding to stay alive, to deliver the service, to pay the people, to have something to deliver and build up your reputation."*

The point at which managers in Social Enterprises claimed to be in 'business' differed subjectively. For one it was the moment they engineered a steering group of volunteers to address social issues. For others it was when the organisation wrote a business plan to secure funding or a contract to generate financial income.

The demands for sustainability and accountability do not fit easily with some organisations that do not focus on mainstream provision or the latest trend in funding. A manager said:

> *"When we started one of the main things we wanted was to be able to generate money internally so that we could spend it on the areas of work which were seen as a priority which are completely left out by mainstream services and if you look at what we do in our service delivery it just doesn't get funded by mainstream, you know?"*

Stability is a key factor, and for many organisations the insecurity caused by the reliance on short term funding awards is seen to affect future planning and many other issues. Many Social Enterprises felt that they were not in control of their own destiny, or future, or in control of where their businesses were heading. Business plans were commonly deemed irrelevant and any long term strategies and ambitions stifled. Capital investment and establishing an asset base were also challenged, with many managers suggesting every penny was tied-up in delivery. Short term funding issues also affected the people employed by Social Enterprises, where many managers suggested they found it difficult to employ, or difficult to retain, staff as employment contracts were essentially fixed to funding awards, further compromising business goals and growth.

The perceived picture that Social Enterprises are shy or evasive with finance was not detected. A manager suggested:

> *"I think there's a big hang up with working with money, it's almost seen as a bit dirty, if you get involved in money then you're losing your focus or whatever, it's just a convenient way of passing around value, and once you've got that it doesn't have to change your artistic focus. I don't think any of us are removed from it enough, you've got to have some way of passing value round and money is a convenient way of doing it."*

Becoming more 'business like' has effected some organisations more than others. In many Social Enterprises problems associated with being 'business like' were more due to cuts in funding rather than any mismanagement. One organisation suggested that they had costed-out their service provision, only to be offered half their anticipated finance as a 'take it or leave it offer'. They explained;

> *"We knew our service wasn't going to be covered by other suppliers to the extent and quality that we gave them* [customers], *so we had no choice - that's the trouble with* [the funder] *they know that we're a social enterprise and they can take advantage of us because we're community based and know that we're providing a much-needed service and we won't see it compromised - they get us on the cheap, we've got no choice".*

Another organisation explained their position:

> *"Our weakness is we have to rely on funding to some extent, that's a sort of short-term thing because you just lurch into the next pot of money but then often funding is a bit insecure and they sort of change the remit* [so] *we don't know if we're going to get it so there's no point in planning until it comes."*

Fully aware of their current predicament they went on to explain:

> *"We'd like to obviously win more contracts from tenders. I'd like to see us grow our operation to be a fully robust and self-sustaining business in it's own right, so that* [we are] *not relying on any funding… I think there's a lot that needs to be done at the moment, we've got a lot of improvements to make."*

A number of organisations we spoke to appeared to be coming through the 'pain barrier', created by the contract culture changes, in the realisation that now they have to become more accountable and transparent:

> "[We had to] *recognise that funding streams were moving on. At one time there was a lot of money around, not that it was drying up but the focus was changing. People were shifting away from just giving grants, also in the past there'd be a grant without that much monitoring. There would be a fair bit of flexibility. So that was changing as they started to talk about unit costing as a way of costing out your services as opposed to putting a*

grant for just delivering, they now wanted to know what that service was - and how many people were going to benefit from it. It meant re-thinking and coming up with our values and ethos, looking at what we were providing, why we were providing it, and changing our outlook as an organisation."

To others it has merely offered a challenge which they saw as opportunities:

"I think for us, as soon as the grant stopped I said, "We're not going to do this again because spending other people's money is really hard." ."

3.2 Learning and Growth

In terms of learning and growth within Social Enterprises there was a broad section of views and attitudes. Most organisations that we spoke to engaged in training and development, participative decision making, team working and the notion of a learning culture. Of the more 'rational' business model types of Social Enterprises we observed, a rhetoric that focused on how the organisation was learning and how individual learning fitted with the organisational plan was dominant. The types of training opportunities offered to staff were directly focused at building the skills-base along traditional lines; human resource, finance, marketing, health and safety, etc. Many managers of Social Enterprises we interviewed talked in terms of structure around policies and procedures. One organisation explained that it has a mandatory staff training programme where training needs analyses are conducted through appraisals. A training manual is provided to staff which contains varied mandatory and non-mandatory courses such as health and safety, first aid, dealing with difficult situations and mental health in the workplace. There are some courses that are compulsory for staff members, including managers and some that people would like to do. This Social Enterprise manager felt that the staff training programme was very important to their organisation.

Although many organisations talked about their training and development for staff members, only a few mentioned managerial skill development. The following example was one of the exceptions:

"We have a regular standing agenda of technical development skills and the wider professional development skills - you know, the softer skills if you like, business skills, that sort of thing. So those are the sort of things and you get targets from them."

Another organisation talked about their training plan for supervisory staff, where every member had NVQ level 3 in supervisory management. They felt that skills developed through the course helped staff to feel more confident in handling tough situations and to be ready to take on more responsibility, ensuring future managerial development of the organisation and the skills base.

Many organisations expressed how difficult it was to find training that was specifically focused for disadvantaged people. One organisation told us that the opportunities to train people with disabilities into managerial type courses were very few and far between - especially training that could be easily transferable into Social Eenterprise environments. They said that their organisation was suffering from a skills shortage as they were not able to bring those skills on board.

In more 'naturally' evolved or 'informal' Social Enterprises training tended to be centred on individual learning and personal development. Firms offered opportunities to their staff that were not directly related to their work or the organisation (eg Yoga, Tia Chi, vocational education, GCSE's). Many managers talked about people bringing diversity to the organisation. Organisations spoke about how they employed people within the community. They felt that following the traditional 'rational' methods of training and development would contradict their business ethic of allowing people to develop their own development agendas. One of our firms explained their confusion with the 'traditional' philosophy of training and development:

> *"It's an interesting one staff development - because what do you mean by it? Do we have a strategy for people to attend courses? - No we don't, but having said that, if people identify courses - then yes, they do, but that's not, I suppose how I perceive staff development. It's been at the pace of the individual and it's been determined by the individual. Do we have a formal staff development structure? No we don't - but - Do we develop our staff? Yes."*

A recurrent finding in the research was Social Enterprises had 'strategic away days' or 'development days'. These were considered important by many social enterprises to decision making, growth and change management within their organisations. We observed that many organisations were rapidly evolving and away days were seen as a means through which organisational development and learning experiences were reflected back to everyone involved in the organisation. One organisation explained their format:

> *"Part of the development day is where the management team get together on their own to talk about our issues and then later on the staff get involved. We spend the day together and do something in the evening, have dinner together and a night away. It's not all fun and games, they've got objectives and they've got to achieve something as a result of that and we always come back to the Board with a report of what was discussed."*

A culture of staff inclusion was observed across most organisations in our sample, where people were encouraged to have a say and feel valued. Managers were there to lead and champion a learning culture, in this example a strong management team drives the spirit of the organisation, ensuring the staff are involved:

> *"I think part of being a good manager is to ensure that everybody is involved in the development of what is going on in the company. And I think the only way to run a company is by development, so it works both ways, the*

company has got to develop it has got to evolve, it has got to be different in 10 years time. "We talk about the future together, planning vision, change, as well as with our board members."

In terms of team working and participative decision making, there were a variety of views about involvement. None of the organisations admitted to making management decisions without involving their staff in some way. Many social enterprises talked about involving the board of directors in their decisions, playing heavily on the professional backgrounds, skills and knowledge that appeared to exist on many boards. Yet most of the organisations we spoke to embraced all stakeholders in problem solving, such as in this company:

"If we are presented with a problem, we have half of the people, who are looking at things from completely different perspectives, coming together to present it and I have a Board which are very good, made up of different sectors of very high levels of professional competency."

There was a strong sense of unity, and team working in the culture of this organisation, as they explained:

"A key strength is we are versatile and what I mean by that is they have different skills, different experiences, different knowledge."

In terms of utilizing external knowledge Social Enterprises learnt a lot from the people and skills within their Board of Directors. For the majority of our sample, the Board were very much involved with decision making:

"I think the Board is a very good set of people for learning because I think they will challenge and they will question, I think from that perspective we learn."

Another organisation explained that they had reached a level of maturity in their organisation and they could almost pick and choose new Board Members. They advertise for particular skills like IT, marketing, communication and financial skills to assist in their development as an organisation in terms of both knowledge and sustainability.

In terms of utilising external knowledge many social enterprises in our study learnt tacitly through collaborations and partnerships with other organisation in terms of both service delivery and in dealing with management and organisational issues. They chose these methods to formal knowledge, such as business consultants, advisors and educational institutions. Furthermore, most organisations concerned themselves with their staff learning the culture and values of the organisation. One organisation explained they took great care in their particular methods of working and were very ethically driven, so staff had to become aware of the values required to achieve and uphold the ethics of the organisation. They learnt these through shadowing colleagues.

Many of the organisations suggested that they operated differently to the 'profit sector'. For some their strength had come from offering creative work and a creative environment:

> *"I think people need a certain amount of freedom rather than a manual that says, 'this is the manual of how you will do It', because the communities that we work with are so different anyway and you can't have the same way of doing things for everybody, different people want different things in different ways, so we're not scared to try them."*

In terms of leadership, many social enterprises appear to have been driven by the work ethic, courage and personalities of their leaders. One social enterprise explained this as historically important to the success of the company:

> *"Looking at the history - it's important because there are two very strong leadership personalities, there's* (A) *who was the Chief Exec and there's* (B) *who was the Chair and co-founder, two very strong people. Those people are inspirational and innovative, leading, but with character as well - and people with very clear defined ways of wanting to do things really.* (A) *has developed a very close and almost family-like culture to working here, people are very, very emotionally engaged in the organisation, it is more than just going to work, it is working for somebody who's created this thing."*

People were also asked how they thought their businesses were learning and growing. One social enterprise explained:

> *"The business is learning in all sorts of ways, I think it's the exciting part of it. That's why I stick with it so much. The impact that it has on anybody who has worked here is immense. Everyday we get different challenges. It's a massive learning curve. We tend to use lots of questionnaires to quantify where we are. I have planned little things that I do for myself, that are personal targets to do my work. I tend to keep a log and I do a mind map of where I want to go, where I want to take the business. We all have our set personal targets. I think that has an impact on how we do things."*

These social enterprises appear to embody a different dimension than the traditional, top-down hierarchical control. Much of the contemporary learning theory tends to emphasise the value of abstract knowledge over actual practice (Brown & Duguid 1991). These Social Enterprises have adopted a participatory style advocating teamwork (or 'groupwork', 'collaborative', 'cooperative' work) defined here as people working together to achieve agreed goals (outcomes). New knowledge is required for the learning process and knowledge creation (learning) is the key factor for sustaining a company's competitive advantage (Teece et al 1997) or in this case sustainability and growth.

3.3 Customer

We discussed customers with social enterprises experiencing mixed reactions to the word ‘customer’ due to the nature of their sector. Certainly within charities we’d experienced resistance to the notion of customer/supplier roles in service delivery. However, our sample of Social Enterprises were openly using the term ‘customer’ as well as a variety of alternative terms from ‘end users’, ‘partners’, ‘internal customers’, ‘beneficiaries’ and ‘commissioners’ in reference to everyone they served as ‘customers’. We observed that many social enterprises have multiple customers and many organisations embraced them as stakeholder, as this organisation explained:

> *“It’s about building the relationship with the different partners, customers; funders; our board; our networks, our community, etc.”*

Interestingly, some Social Enterprises had different concepts of ‘customer’ and ‘supplier’ than the private sector. One organisation explained that they were the customer of their contractor, and vice versa - both providing services. Each is a customer, as each is a supplier - dependant on what was being traded. Their value to the contractor, they explained, was their approach to the community - whilst the contractors value to them was financial. This highlights the awareness that some firms had of their ‘social value’ and ‘unique selling point’ which was used to their advantage, especially when negotiating their services with contractors.

Another organisation spoke about their community focus and knowledge within that community - they spoke of their value to the funders/contractors and their success at meeting the government agenda. They explained their ethos, focus and determination:

> *“There are 58 people’s lives involved in this organisation - and that involves people’s mortgages, the rent, the car, the whole lot - but it’s not just about the staff, it’s also about what we are able to deliver for our communities - driven by our community’s agenda”.*

It was generally the case in our sample of Social Enterprises that there was a juggling act between satisfying service levels and working within the organisation’s financial constraints. On another level, some Social Enterprises were juggling time and resource constraints against lobbying for awareness, profile, funding etc. These issues were all seen to affect stakeholder relationships where differing agendas were at play, from local communities through to funders/contractors, and influences at regional and national levels.

In terms of competitor awareness, many Social Enterprises were unaware of their competition. They tended to suggest that there were no direct competitors and were unaware of indirect competition. For some this was frustrating as they felt that more competition would lead to further services being offered to the communities they served - and that would have meant more help for people. In contrast one organisation suggested that they were very competitive and ruthless towards other service providers in their sector. They were concerned about the service quality that end users experienced from other suppliers and targeted poor suppliers with competition and public criticism.

We observed that in some sectors the market environment was changing. For some organisations, the markets they served were becoming more competitive. Changes in the finance, from funding awards to contracting, together with the statutory withdrawal of services (particularly in the health sector), have stimulated more socially aware competition. The changes have attracted both for-profit and not-for-profit businesses. One organisation that is community based told us:

> *"I think the market segment that we work in is becoming slightly more crowded… and there's now more social enterprises that are developing and more businesses developing."*

This organisation told us that they were now beginning to think in terms of marketing strategies: Conducting competitor analysis, market segmentation and developing their unique selling point. Competition was making them more 'business - like' and serious about themselves.

One of the barriers we identified to the development of Social Enterprises the tendency to under-price compared with the profit sector. In part, this was due caused by contractors expectations that Social Enterprises will deliver at a lower price than for-profit companies:

> *"Our prices have been inherited from when it* (the business) *started and I really don't know how prices were set but we're currently looking at competitors to assess the market and look at the prices that we may be able to charge and then we're going to do some more analysis on our niche market as well. I think we are quite cheap, taking into account that we have funding"*.

This organisation went on to explain that they were constantly wrestling with the need to create surpluses from their contracts in order to become more sustainable and competitive in the sector. Yet they were constrained by the mind set of the funders, who were able to detach themselves emotionally from their 'business decisions' and constantly cut their service contracts - in the knowledge that Social Enterprises, may be prepared to make financial compromises when it comes to business and market decisions. The situation here may also suggest a lack of market knowledge, which was utilised by the contactor to their best advantage. Fundamentally these issues were affecting the sustainability of this and many other Social Enterprises.

As well as a stakeholder perspective in social enterprises, we found that a marketing philosophy existed. Many organisations were aware that their businesses needed to be marketed to their audiences. One organisation explained:

> *"You have to present yourself as a robust company which they're* (contractors) *going to have a lot of faith in."*

Some of our Social Enterprises were aware of the branding and marketing issues that they faced and were beginning to plan for changes in their organisations:

> *"I think we need to sell ourselves, we haven't got the profile - it has improved - I think that we have been so busy doing the work that we haven't prioritised the need to market ourselves - financially or in terms of work - but that is something that is changing and we want to prioritise it and we want to market what we do but it is finding the best way to do it."*

Yet, some Social Enterprises were under-resourced and under-skilled to make the marketing impact they'd planned for:

> *"That is a challenge for us - we don't have that focus, so everybody is trying to do a bit of marketing as part of their job, when actually I think it is quite specialised in terms of what you need to do - in terms of what skills you need - and it is not something that is just add on or ad-hoc."*

For some organisations, this challenge was overcome through strategic intention:

> *"All our different types of projects produced different types of material. You couldn't pick anything up and think well that comes from here. Some were photocopied, some were printed, just a whole range of different things. What we thought actually what we wanted is to give out our message. Each of the projects is unique in its own way but actually if it wasn't for* (the core business)*, none of these would exist. Therefore we needed to have a co-operate thing in the way that we looked. We needed to think about what the organisation stood for, so we needed to come up with a strap line."*

For some of the Social Enterprises we interviewed developing marketing and branding of their communications occurred by reaching a maturity stage as the business had developed and learnt from experience. This organisation explained how they had evolved over time:

> *"We changed the way we produced our information, from photocopying things to printing them, it meant going from a cartoon in exhibitions to actually having proper exhibition boards printed, it meant re-thinking and coming up with our values and ethos, looking at what we were providing, why we were proving it, and changing our outlook as an organisation."*

For one organisation the issue was not around the professional presentation of their literature but around the messages they gave out as a business:

> *"I think we have a weakness about people thinking of us as 'X' and some people thinking of us as 'Y', so we have a massive problem in marketing, we're not getting over the correct message, people see us 'X' or 'Y' they don't see us as 'Z'."*

Some Social Enterprises saw marketing as just promotion alone:

> *"We advertise in the Yellow Pages and we place a couple adverts during the year and that's the limit of our budget."*

This organisation had a very low awareness of marketing and lacked the skills in developing in this area. Many organisations were unaware of the impact of advertising their social value, such as this Social Enterprise who reflected:

> *"It is one of our principles, that we will try and offer employment to people that are disadvantaged in some way but we don't advertise that fact, or promote it in any way - I suppose we could?"*

Most Social Enterprises relied on very few marketing tools to promote their businesses, for some it was via word of mouth, and others, a reliance on websites with many Social Enterprises allocating a small budget for promotional material, newsletters or exhibitions, for example:

> *"Well to be honest, it's word of mouth, it's organic at the moment, we don't advertise at all. The website that we've got is the closest thing to an advert we've even done really and we've never needed to advertise strongly, we've got more work than we can do now so the organic model is the one that we always use."*

Another organisation took an even more passive approach:

> *"If they want to buy services then they have generally heard about us and what we do."*

There was particular reluctance to engage in marketing in some Social Enterprises when capacities were stretched or businesses were just too busy to find the time and resources to think of marketing:

> "[We would not] *actually go out and advertise or to try and draw in customers…* [when] *we are pushed to deal with the numbers we've got."*

Many of the Social Enterprises were, however, discussing the possibilities of the value of marketing. For some they were in a quandary as to what message they wanted to communicate, for what purpose and what medium to use:

> *"People keep trying to sell us advertising space but in doing things like that - its really finding out the impact of having our advert."*

For many Social Enterprises organisational promotion was a networking exercise, conducted by being in communities and learning and involving themselves. This was felt to be the best way to disseminate and develop further needs-focussed services. This organisation spoke confidently and explained to us in meticulous detail about their strategy:

"In terms of promotion, I'd say there's five different ways, I spend vast amounts of time networking and identifying strategic projects that we can do. The second way we market is by word of mouth and we've got a pretty good reputation, people approach us. Thirdly, because we're basically community linked, we will go to an enormous amount of community activity so we'll go to community festivals, we go to community fairs and things. The fourth way we promote is through our website and we do get a phenomenal amount of enquires through our website and the fifth way that we promote our service is by producing material and it's finding channels to distribute those at various different strategic events and local events".

In terms of evaluation, few of the managers we interviewed reflected on evaluating their businesses in any way. There was one exception, an organisation that has produced a document clearly identifying the values of the organisation, the services they provide and the impacts that their services have on their communities. The document clearly identifies their objectives and the services and strategies linked to each of their aims. Through promoting their values to their stakeholders they have opened themselves up to be scrutinised by their service users. The document is produced annually and is as much an integral part of the year end accounts as the financial accounts for the organisation and is disseminated widely.

One organisation suggested that they had taken out a customer survey:

"We had a student placement a couple of years ago, he did a sort of customer survey and what they thought was good about us."

Other organisations pointed to the fact that they were constantly interacting within the communities and were 'close to the ground' in terms of their impact:

"We find out what the level of satisfaction is and what they [the community] *would like to see improved, asking them how important the price was to them, how important the fact we're a social enterprise is to them, how important is reliability, that type of thing - to get a picture of what they're looking for."*

Only one organisation spoke about marketing evaluation:

"Only quite recently marketing improvements have been made. We had a marketing audit in December last year which was free to us. It basically involved someone coming in for four days and looking into the ways that we do marketing, doing an audit on it and then making some suggestions as to improvements. It's really made a difference to the extent that now we've made someone responsible for the marketing which is actually myself and reviews the success, six monthly or yearly, but it's quite a new thing because previously it was much more on an ad hoc basis and that's where there's lots of different kinds of logos you see everywhere and different kinds of things, because people would either do it themselves or it would kind of just come up from little places, rather than being a central function, so that's greatly improved."

Seeking outside expertise in the field is potentially a way in which Social Enterprises can draw in marketing knowledge. Marketing skills that are already imbedded in Social Enterprises include; networking abilities, word of mouth advertising, stakeholder focus and local knowledge. However, the formal side of planning and strategising, competitor analysis and evaluation are beyond the skills and resource base of most of the businesses we interviewed.

3.4 Internal Business Process

In terms of internal business processes, the Social Enterprises in our sample varied in their organisational structures from full participatory environments in co-operatives to hierarchical structures with layers of managers, staff and volunteers. One member of a co-operative we interviewed explained their structure:

> *"We all work in teams, we're all part of at least one team… each team will make decisions about it's own area, they will then come to a forum which meets once a fortnight and the forum will ratify that decision or not… If it's a much bigger decision to be made, that will then go up to a quarterly members meeting where major decisions will be made that can't be really made by the smaller team."*

They went on to say how inclusive the culture was:

> *"Everybody is involved, no-one feels here that they just work at* [name of organisation]… *people have to realise that they are responsible for what we do, how we do it and whether its successful or not… the vast majority of people so far have actually been able to grasp that and want to be involved in decision-making and realise just how important it is for our success that we do make the right decisions."*

Counter to this approach, we interviewed Social Enterprises focused around one leader:

> *"I would be the one who would be involved in the decisions. Anything related to funding, to development, that sort of stuff then I would make that decision. In terms of the SMT* (Senior Management Team*) we meet on a regular basis, on a monthly basis and we make all sorts of decisions, some of which may be strategic, some which will be operational"*.

Whilst extremes from cooperative to leadership by one person were observed most of the organisations we spoke to arranged their business structure around a management team and differing levels of task (human resources, finance) orientated people, controlling various levels of roles and responsibilities. This organisation explained why they follow a more conventional structure:

> *"There's tenders with local councils, you have to present yourself as a robust company which they're going to have a lot of faith in so I think that the kind of structure we've got now is probably the most appropriate really*

which is a fairly standard structure with an MD and then the management team, we do largely make decisions on a management team basis. Then we've got a non-executive board of directors."

Some Social Enterprises were worried that too much formality would stifle their participative culture. This particular Social Enterprise had grown significantly in recent years and the Manager expressed concern about finding appropriate means of consultation:

"We still do have informal discussions but it has to be more structured with there being more of us - but we hope its only the structure that's needed, not to get to the point where you can't do anything because you haven't had half a dozen meetings to decide to have a meeting to make a decision, if you see what I mean."

Other organisations were starting to decentralise services into specialised functions. This way organisations started to employ specifically skilled personnel in key functional roles, increasing the skills base of the organisation and the effectiveness of their internal resources. This manager explained:

"There's the core services which are finance, payroll, business planning and all those sort of services, finance services, research, communications, HR, development, training, core corporate services, we have them central within the cluster so each of the businesses pay a charge (for those services)*."*

In most cases the Board of Directors were a key feature in decision making, giving direction and passing-on expertise within Social Enterprises. Whilst the majority reported that their Boards involvement was critical to the success of the organisation, there were a few exceptions:

"The Board meet once every two months, they come in here when everyone's gone home, they never see the business operating. They get sent information the week before - but they don't read it - so how can they make decisions? They spend one to two hours every two months on the business and that doesn't put you in a position to make any decision… I don't think they feel very confident about it [making decisions]… *their suggestions are not very good either."*

Another organisation was also worried about the Board's power to decide on the future direction and the sustainability of the organisation, given the limited involvement of the Board Members in the day-to-day. They decided to change the legal structure to resist the Board's decision making powers:

"When I used to report to the Board [of Directors] *at management committees it took ages to be able to go through a process, whereby people who knew not very much about the running of the business, not that much about the strategic direction of the business, they had to sort of make some decisions… on paper it's very good… that you have the ownership of the business by somebody who is not being paid by the business."*

One of the findings of this research was the mixed feelings managers had towards their Boards. A further insight was brought to the fore which may answer some of the previous issues:

> *"A lot of the companies have voluntary Boards of Directors and it's something of a luxury for some of the companies to have good skilled people on the Board who can take decisions."*

However, there were some organisations that could afford the luxury of acquiring skilled people to volunteer. One organisation explained:

> *"We identify some skills or a position on the Board that has become vacant such as Finance Director, Health and Safety Director and then if we don't have that skill set within the directors we might kind of do headhunting really and look for people that might want to support an organisation like ours, who've got the experience and the skills to feed in that would support us."*

For those successful enough to find the key personnel and skills, the Board of Directors can be a real force in steering the organisation forward.

In terms of communication within organisations, many Social Enterprises were in a process of change, with the issues of improving communication high on the list of priorities. This was interesting as it suggests that participative cultures were under threat particularly as Social Enterprises grew.

In terms of quality issues, many Social Enterprises found it hard to express the quality of their internal processes and constantly referred to the external quality of their services. When asked about using accredited quality standards many of the Social Enterprises were quite adamant they were not suitable for their business. To some it was a reactive process:

> *"We have a quality system in place because we have to for funding."*

In terms of quality standards, we asked if Social Enterprises had invested in any quality management systems, such as the Practical Quality Assurance System for Small Organisations (PQASSO) or the International Standard for Organisations (ISO). In common with others, this particular Social Enterprise said they had no resources to cover such investment:

> *"It all costs money and that's an issue, we can't ask for funding for these things and we haven't got the surplus that we require to pay for it at the moment. There are other quality standards we could go for but at the moment we just don't have the finances."*

Very few organisations held registered standard kite marks, such as ISO and Investors in People (IiP) award. Of the few that had invested in these systems, ISO was of no interest to the Social Enteprises and the IiP and PQASSO were favoured. However, due to the capacity required to organise such investment and that funding was not necessarily awarded to those that had these certifications, together with the resources and bureaucracy involved, the majority of the Social Enterprises failed to see the benefits of accreditation. This particular organisation suggested their management methodologies do not align with the bureaucratic, procedurally driven rationality of quality systems. They saw the benefits of quality management and worked with their own formulae with their own measures and milestones. They stated:

> *"ISO 9000, absolutely not, we'd never dream of using 9002."*

Social Enterprises were organising and attributing roles and responsibilities throughout their organisations. Our sample Social Enterprises suggested that by defining and coordinating elements, they enabled their organisations to perform more efficiently and effectively. In most cases divisions or teams were made up of people in terms of function (finance, marketing, human resources, etc) or product or service specialisation - or a mixture of both, based on current projects. As organisations grow and become more complex, many find that a lack of structure inhibits work flow, stifles motivation and staff contribution - and that services may then spiral out of control. For one manager fire-fighting was a common reality:

> *"We've found that we're very often chasing a target that has arrived."*

Although there are some concerns that formalising an organisation's structure will introduce bureaucracy, inhibiting the initiative of staff, most organisations are forced to have defined job roles and formalised structures in order to simplify complex work situations. Keeping flexible is a key factor, one organisation re-iterated that their success was built on addressing and controlling project situations; having systems, quality management procedures, monitoring and evaluation and finance procedures in place to be able to deliver each particular project.

3.5 Vision and Strategy

In terms of visioning and strategy, the majority of Social Enterprises suggested they were developing or had recently started to develop and articulate formal strategies for the future. This tended to be in relation to sustainability issues, funding and contract applications. In terms of business planning, we heard an array of issues. Some suggested business planning was informal:

> *"I tend to keep a log and I do a mind map of where I want to go, where I want to take the business".*

Some suggested they could avoid such structured tools, being a small business, choosing to rely on their values rather than a business plan. Other Social Enterprises felt that their hands were tied:

> *"We are not realistically planning, but this is down to the way social services contract. If they start contracting differently then we can start planning."*

This organisation reflected back to their early years:

> *"We produced our first business-type plan - but I think it was the way of all - well not all - a lot of business plans or strategic documents that it was really good while we were away* (on a strategic 'away day') *and then when we came back* (to work) *the reality of everyday life hit and actually it just sat on the shelf… It was something that we could send out to people to say this is what we are going to do and it looked really good because it meant that we were organised and forward thinking but actually if we were really honest and looked at the impact of that business plan I would say it was minimal… I think we did a lot of the things that were in the business plan but not because we had the business plan as our governing document. We did it by default as opposed to design."*

For some Social Entereprises business plans were used for focusing the business and to vision where the organisation wanted to be in the next three to five years. For others it was a way of calculating financial forecasts. However, business planning was not widely used amongst the Social Enterprises that we interviewed. Managers referred more to strategies and visions than business plans and the difference was unclear to many Social Enterprises:

> *"We have a collective vision, aims and objectives, we plan our finances very closely. We will only do activities against what we believe to be our strategic objectives so yes, in that sense we have a business plan."*

In terms of the Social Enterprises we interviewed very few mentioned their mission statements. However, one organisation stated strongly that their mission statement gave real strategic direction:

> *"All the work we do fits into the 4 aims… Everybody knows all the time these are the aims, this is the vision of the organisation, they are our values and ethos, not just how you treat other people but how we treat ourselves as colleagues, as team-mates."*

In contrast, skills shortages were cited as reasons for poor business planning and strategising:

> *"We've not got a clarity of vision that says, this is what we're going for. So I think we're probably poor on future business strategy."*

Most of the organisations we met had a website and had posted their values on their sites. However, many suggested that vision and communication was either internally or externally focused where such information was seen as a low priority. One organisation explained:

> *"We don't communicate well some of the very good things we do, we're just so used to just doing… We had an external impact assessment… that was very good in terms of telling us what we do but we've then taken that document and we've not sold it anywhere really, we've just been so used to*

keep going, keep going, and we've not really had the chance to take stock of where we really are… I don't think we give enough key messages, we haven't done, I don't think, over the past 18 months given enough key messages externally."

The Social Enterprises we interviewed were weak in articulating their vision and it seemed that higher level skills needs were in short supply in the sector. These are interesting findings that raise important issues. If social entrepreneurs do have very focused visions and ethics it may be that there are barriers or other issues preventing the open articulation of visions and strategy to stakeholders.

Overall, it is clear that Social Enterprises require support to develop their strategic vision and capabilities. This need relates to a range of issues within the organisation and, specifically, to develop a balance in organisational development. As one Social Enterprise leader stated:

"It's a total package, quality service, quality staff, quality relationships, quality patrons - I think if any of that isn't balanced then you haven't got the right ingredients."

This conclusion supported the idea of developing a BSC to aid Social Enterprise business development.

3.6 Summary of qualitative findings

Financial

- These findings suggest that many Social Enterprises are beginning to make themselves more accountable in terms of their social value.
- Many of the Social Enterprises we spoke to were in the process of adapting and restructuring their organisations, aware that they have to be very focused on sustainability issues and transparent about their social value.
- However, there was little evidence in the organisations we met to suggest that Social Enterprises were measuring their social impact beyond including values and ambitions within their businesses (usually through mission statements) or providing data that was sought by funders.
- For many Social Enterprises the next step is to become more proactive in recording and marketing their social values.
- Many referred to having a good track record of delivering quality services. Efforts were measured by contract renewal rather than any clear evidence supporting their successful delivery of services.
- Of the Social Enterprises that sought to create surpluses there seems to be a balance between those organisations that seek financial control to provide services that are not directly met through funding, and those that feel they just want to be in control of what they do, whilst delivering socially benefiting services.
- Many Social Enterprises were being exploited by funders over contracts in the knowledge that Social Enterprises will compromise financially for service delivery.

Learning and growth

- Management training provision for the sector is poor, owing to the profit focus of mainstream management training.
- Many Social Enterprises referred to valuing the diversity of their organisations and opportunities for developing the skills of their employees over direct business skill needs.
- Strategic *Away Days* were important to our sample of Social Enterprises in terms of participative decision making, team working and organisational learning.

Customer

- Stakeholder satisfaction was a juggling act between financial constraints and service needs.
- Social Enterprises were slow to exploit funding opportunities through marketing their uniqueness (their differentiation from mainstream competition - social value).
- Some sectors were experiencing an increase in both social and mainstream competition.
- Social Enterprises were introducing marketing techniques, yet financially ring-fencing marketing capital and the lack of specialist skills was problematic.
- Social Enterprises were becoming more aware of image and branding issues.
- Understanding of marketing was often limited to promotion.
- Networking/word of mouth were the main marketing activities of Social Enterprises

Internal business process

- Issues were raised about aligning skills bases with organisational structures (management functions and roles and responsibilities).
- Social Enterprises were constantly wrestling with insufficient resources and meeting immediate impact needs and service delivery levels.
- Short term funding adversely affects sustained employment in Social Enterprises where contracts are tied to short term funding periods.
- Inclusive decision making was highly regarded.
- Organisational structure was a key issue to the management and participation of Social Enterprises.
- Informality and flexibility were key attributes of Social Enterprises.
- Boards of Directors were key attributes in organisational knowledge, bringing in higher level management skills – some, but not all, totally appropriate to the small Social Enterprise.
- Informal communication processes were stifling growth past micro stage or organic growth phases.
- Social Enterprises were slow to uptake structures, systems and procedures.

Visioning and strategy

- Few Social Enterprises used business plans.
- Many Social Enterprises made use of strategies and mission statements.

4 ‘Balance’ Development

4.1 Methodology

The literature review highlighted the use of performance management tools in establishing management practices within Social Enterprises (presented in Part 1 of this report). The literature suggests quantitative business analysis tools do not capture the heterogeneity in Social Enterprises and, so are not readily transferable. We therefore, designed the ‘Balance’ tool with this in mind. ‘Balance’ removes many of the problems associated with standard benchmarking practices, such as cost and the time intensive practice of identifying and securing the cooperation of suitable partners, as identified by Paton (2003), it achieves this by being pre-built in an accessible, easy to use online format that quickly analyses a business and offers an immediate indication of performance.

Using a qualitative approach to developing ‘Balance’ - the business performance analysis tool, represents a move away from linear quantitative approaches, in recognition of the complexity of new organisational forms, such as Social Enterprises. The ongoing literature search had also identified the Balanced Scorecard (BSC), which was chosen as a ‘loose’ framework to be adapted (see ‘Balance’ model - Figure 6 in the appendix), whilst addressing the preceding criticisms and in recognition of the need for an easy to use business analysis tool.

Development of the tool drew on literature that suggests that organisations evolve in cycles and patterns of development around incremental learning. A learning organisation is ‘where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to see the whole together’ (Senge 1990, p.3).

The cycle is the learning loop (in figure 4) that includes: concrete experience, observation and reflection, forming abstract concepts (interpretation) and testing in new situations or crises (different authors use different terms). Each time the organization develops and implements actions, a plateau is reached where reflection on what actions were successful or unsuccessful takes place. This provides an opportunity for learning and a move to the next learning cycle. Alternatively, the cycle may be taken to a higher level in reaction to a crisis, caused by unexpected events, resulting in a steep learning curve. Taking this concept, we adapted business lifecycle models based on a likert scale from novice through to expert.

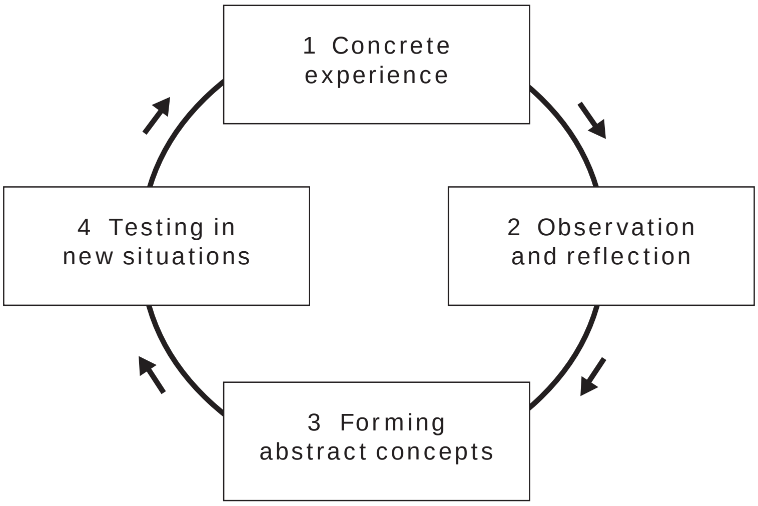

Figure 4: Organisational Learning Cycle
Source: Kolb & Fry (1975)

Key to Figure 4

1. Experiencing or immersing oneself in the 'doing' of a task. The engaged person is usually not reflecting on the task as this time, but carrying it out with intention.
2. Reflection involves stepping back from task involvement and reviewing what has been done and experienced. The skills of attending, noticing differences, and applying terms helps identify subtle events and communicate them clearly to others. This is a subjective process where values, attitudes and beliefs influence thought processes and how one communicates perceptions to others.
3. Conceptualization involves interpreting the events that have been noticed and understanding the relationships among them affected again by one's subjectivivity.
4. Testing enables the translation into predictions about what is likely to happen next or planning what actions should be taken to refine the way the task is to be handled.

4.2 The ‘Balance’ model

The ‘Balance’ model design was built on experience from previous projects and research in the Centre for Enterprise, Manchester Metropolitan University Business School. Previous analysis tools, were found to be beneficial to organisations in identifying weaknesses but did not indicate how managers could take their businesses forward and make improvements. Through ‘Balance’, we felt that we bridged that gap, adding value to the analysis by;

- Offering organisations a ‘snapshot’ of their particular strengths and weaknesses across the BSC performance concepts (finance, customer, learning, internal activities and visioning).

- Incorporating a qualitative report offering suggestions for business development, growth and sustainability.

The Balance model was built on a rigorous research process:

- Following the data collection, including observation, conversation and in-depth interviews (as discussed in Part 3 of the report) we conducted a comparative analysis from the findings of the fifteen interviews.
- A process of coding and re-coding took place where incidents were identified and categorised. Constant comparison was made between data set and data set whilst continuously moving backwards and forwards between interview data and theory development. This thorough analysis identified key issues (concepts) and emerging theory. Coding allowed the grouping of concepts and the identification of themes (variables) triangulated with the BSC framework.
- Further analysis from these interviews was undertaken using qualitative causal mapping software (Decision Explorer and N-Vivo) for gathering, structuring and visually analysing the data and patterns.
- The key issues identified across each of the sections led to more in-depth understanding in each subject area. This took us back to the literature and to further discussion within our networks before finalising the questions we included in the tool.
- The concentration in ‘Balance’ is on providing ‘know-how’ (pointers) at different business stages, to raise performance and benchmark best practice (learning). Our approach in ‘Balance’ was to adapt the Likert scale, offering managers more than a 1 to 5 scale. We offered scenarios that suggested how the organisation reacted to each of the questions, for example, at stage 2; ‘We act as and when in crisis situations’, therefore suggesting that 1 through to 5 represents; ‘No’, ‘Ad-hoc’, ‘Informally’, ‘Formal’ and ‘Best Practice’.
- We then set about writing the five incremental step pointers to offer managers guidance, action or potential solutions in order to develop their businesses to the next stage. This was guided by identifying ‘best practice’ in the Social Enterprises we interviewed, triangulating with management theory and sector specific literature.

It was envisaged that an interactive IT based 'tool' was the most appropriate device, given that computer technology is now widely available and an essential business tool. The pilot tool was then designed for the World Wide Web.

The finished tool was then piloted across the sub-region (Greater Manchester and Lancashire) with a variety of social enterprises taking part. The resutls from the pilot is presented in Part 5.

5 ‘Balance’ Findings

Thirty interviews were conducted with organisations using the ‘Balance’ tool, findings drawn from these interviews are outlined in this chapter.

5.1 The Sample

The 30 pilot organisations were drawn from a cross section of Social Enterprises across Greater Manchester and Lancashire. The profile of the sample is discussed here.

5.1.1 Sector

The vast majority of our sample were service businesses (see figure 5). The Social Enterprises were working in Health and Social Care (4), Community (3), Environment (3), Arts, (3), Food and Drink (3) Employment (3) and Education (3) sectors. There tended to be overlaps across the main areas of Health and Social Care, Community and Education.

Number of businesses	Sector
4	Health & Social Care
3	Community
3	Arts
3	Education
3	Environment
3	Employment
3	Food & drink
2	Networking
2	Disability
1	Business Support
1	Furniture
1	ICT
1	Tourism & Fair Trade

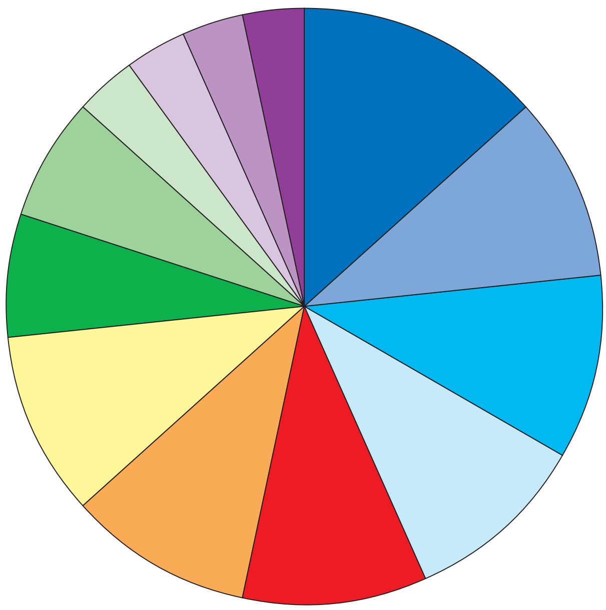

Figure 5: Industry Sector of Social Enterprises in the pilot study

5.1.2 Legal Status

The vast majority of our sample Social Enterprises (20) were legally structured as ‘Not for Profit Company Limited by Guarantee’. Four were ‘Registered Charities’, two were Co-operatives and two ‘Social Firms’. one organisation was a ‘Charities Trading Arm’ and one was a ‘Community Business’. Drawing on discussions within key networks suggest this is a true reflection of organisational diversity of the Social Enterprise sector in the region.

5.1.3 Business Size, Income and Age Profile

The business size of our sample of Social Enterprises was established using various measures; the number of years the Social Enterprise has been established; it's annual income; number of employees, and, number of volunteers.

This profile represented in Table 1 indicates that the pilot included a diverse range of established, 'traditional' social businesses and younger social enterprises.

No	Established (Years)	Annual Income (£)	Employees	Voluntaries
Company 1	1	7,000	2	2
Company 2	15	1,144,000	30	25
Company 3	18	350,000	9	0
Company 4	11	136,000	36	6
Company 5	9	950,000	45	56
Company 6	2	84,000	7	4
Company 7	1	10,000	3	0
Company 8	0.3	25,000	4	5
Company 9	15	2,300,000	47	8
Company 10	20	258,000	26	25
Company 11	5	120,000	2	10
Company 12	10	675,589	8	1
Company 13	4	15,000	1	0
Company 14	1	100,000	2	0
Company 15	10	120,000	9	0
Company 16	18	450,000	45	0
Company 17	4	300,000	8	0
Company 18	1.5	30,000	3	0
Company 19	5	150,000	4	0
Company 20	1	30,000	1	15
Company 21	20	800,000	25	10
Company 22	1	20,000	5	0
Company 23	3	150,000	6	6
Company 24	3	6,500,000	250	30
Company 25	2	107,000	5	40
Company 26	9	3,500,000	38	0
Company 27	3	200,000	16	10
Company 28	4	20,000	7	10
Company 29	3	200,000	11	0
Company 30	25	30,000	3	20

Table 1: Business size, income and age profile

5.2 The Findings

The findings of the pilot study are discussed around the topic areas of the adapted balanced scorecard (The Multi-Bottom Line; Stakeholder Perspective; Learning; Internal Activities and Visioning). Each of the tables printed here represents a section of the tool, the questions we asked and the stages reached by the sample of 30 Social Enterprises.

5.2.1 The Multi-Bottom Line

This section was renamed from 'financial' . The return for efforts and investment is usually recorded in financial terms by the private sector in terms of 'profit margins'. However, in social businesses a return is sought along very different lines to that of 'mainstream' business. The philosophy of profit maximisation and market exploitation is replaced with an approach that strives towards strategies providing social or environment benefits. Social Enterprises exist to provide help and support for a wide range of social and environmental reasons that 'give back' to society. The return they strive to achieve is therefore a complex picture. Talk within the sector of 'Double bottom line', 'triple' and even 'quadruple' bottom lines is confusing, to avoid this we have chosen to simply refer to this area as the 'multi-bottom line'.

% of Social Enterprises at each stage of development

	The 'Multi-Bottom Line'	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	
Q1	'We are focused on sustaining our future.'	0%	7%	23%	47%	23%	
Q2	'We have control of our budgets and expenditure'	7%	3%	17%	20%	53%	
Q3	'We have social aims - to 'give back' to society'	3%	10%	27%	23%	37%	
Q4	'We have aims that address environment issues to achieve positive benefits (or minimum impact) to the planet.'	0%	17%	10%	17%	23%	*
Q5	'We use measures - which might include financial with non financial elements for reviewing organisational performance.'	10%	23%	20%	30%	10%	**
Q6	'We publish social/environment accounts'	33%	3%	47%	10%	3%	
	Mean % at each stage	8.8%	10.5%	24%	24.5%	24.8%	

** = 33% skipped; ** = 7% skipped*

Table 2: Pilot study results for the multi-bottom line

Table 2 indicates the responses by managers to the multi-bottom line questions. Overall Social Enterprises suggested they were at an advanced stage of maturity across these issues (mean values 24% of Social Enterprises at stage 2,24.5% at stage 3 and 24.8% at stage 5). More Social Enterprises felt they had reached higher stage level (4 and 5) in responses to Q1 on sustainability (47% at stage 4), Q2 on budgets (53% at stage 5) and Q3 on aims (37% at stage 5), compared with the final two questions: Q5 on metrics (23% at stage 2) and Q6 on social accounting (33% at stage 1). A third of managers skipped Q4 as their business focus was more socially than environmentally directed.

It is interesting that Social Enterprises are robust in considering their budgetary and expenditure figures, accountability in terms of social value (Q3) and sustainability (Q1). Previous research has suggested that this was an area of weakness for the sector - yet our findings reflect positively in this area. However, these strengths may be reactive strategies, promoted in order to comply with funding and contracting obligations.

The findings suggest that our sample Social Enterprises are not very proactive - going beyond their current demands in terms of accountability. These Social Enterprises lacked sophistication in terms of measuring social value (Q5) and promoting that value in social accounting (Q6) in their organisational performance, choosing to rely on purely financial measures.

Multi-criteria measures could be very beneficial to social businesses. They offer an opportunity to include financial and non-financial issues as important aspects of business performance. The Balanced Scorecard has been adapted to promote such practices.

5.2.2 Learning

This section assessed the commitment of organisations to learning through training, managing knowledge and nurturing an organisational culture.

% of Social Enterprises at each stage of development

Learning	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
Q1 'We have a commitment to training and development'	3%	17%	33%	13%	33%
Q2'We encourage team-working and participative decision making in our organisation'	3%	3%	27%	30%	37%
Q3 We learn through acquiring external knowledge'	0%	0%	3%	53%	43%
Q4 'We have a creative and learning culture'	0%	33%	20%	33%	14%
Q5 'Leaders set by example and champion a learning culture'	3%	13%	23%	27%	33%
Q6 'We seek to continually improve every part of the organisation'	3%	33%	7%	30%	27%
Mean % at each stage	2%	16.5%	18.8%	31%	31.3%

Table 3: Pilot study results for learning

Table 3 indicates managerial responses to questions about learning. Overall, Social Enterprises suggested they were at an advanced stage of maturity across these issues. Higher levels are seen in Q2 and Q3 on participative decision making and learning through acquiring external knowledge but lower levels were recorded for Q4, on having a creative and learning culture and Q6, on having a continuous improvement philosophy. Our sample suggest that they are readily taking advantage of learning through external sources. We found that learning took place through networking and work-related partnerships within the sector, as opposed to accessing external higher level training in management skills or business support.

Of further interest were the results from 'Balance' indicates the spread of formality in training and developmental issues (Q1). Many Social Enterprises have informal ways in which they manage this from, for example, on the job training (17%) to informal development plans (33%). Very few managers indicated they had formal development plans (13%), yet 33% of managers suggested their approach to staff development encouraged a learning culture in the organisation through the provision of a wide variety of training opportunities. This score is somewhat contradictory when we look across to Q4 where the majority of scores recorded were quite evenly spread between levels 2, 3 and 4 - suggesting the issue is more complex than the two scenarios presented here. Similar contradictions were also recorded, it was suggested by many managers that they encouraged team working and participative decision making (Q2 - 37% at stage 5) yet it is ironic to then compare these findings with Q4 (33% at stage 2) and Q6 (33% at stage 2) where managers suggested their Social Enterprises could create more of a learning (Q4) culture (Q6) across their organisations.

5.2.3 Stakeholder Perspective

This section was renamed 'stakeholder perspective', instead of 'customer' as it was felt that the term 'stakeholder' was more representative of the Social Enterprise sector where many firms satisfy multiple groups of people. These include end users, funders, communities and society as a whole, in relation to environmental considerations.

% of Social Enterprises at each stage of development

	Stakeholder Perspective	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	
Q1	'Our organisation is focused on stakeholder needs.'	7%	7%	14%	30%	40%	*
Q2	'We monitor competing product/service provision'	10%	10%	47%	17%	13%	*
Q3	'Our visual identity portrays our desired image'	0%	40%	30%	7%	23%	
Q4	'We have methods for promoting our organisation'	0%	3%	47%	17%	33%	
Q5	'Resources are allocated for marketing activities'	3%	13%	37%	33%	13%	
Q6	'Marketing activities are evaluated for their effectiveness'	13%	20%	27%	30%	10%	
	Mean % at each stage	5.5%	15.5%	33.4%	22.3%	22%	

*= *2% skipped*

Table 4: Pilot study results for stakeholder perspective

The responses to this section are interesting and highlight significant issues for the sector. In Q1 (stakeholder focus) 40% of our sample indicated that they were at stage 5, although the spread of results across all five stages indicates quite disparate views. This is highlighted in Q2 where a high proportion of Social Enterprises suggest that they informally gather information on competitors (stage 3 - 47%). The most significant result from this section of the Balance questionnaire (Q3) indicates that managers felt image, branding and identity were either a low priority or that they lacked the resources (Q5 - 37% at stage 3) to develop this area or it is an area of weakness within the skills base of the organisation. In Q4, 47% of our sample suggested they advertised in a variety of ways; printed matter, websites, directories, etc. It was interesting to see here that managers indicated they did not rely on word of mouth advertising - as was suggested by many of the organisations we first interviewed (see Part 3.3, pp32-36). A further significant result was recorded in Q6, where managers indicated a broad section of views in response to the question asking if their marketing activities were evaluated for their effectiveness. It was interesting to note that some of the organisations that were scoring themselves at stages 4 and 5 to other questions on the Balance questionnaire indicates only stages 1 or 2 on this issue. Of further interest is the lack of reflection in the marketing methods of some organisations. We felt that this low score indicated that marketing was a weakness across the sector and potentially an area that links across other issues such as promoting the social value (Return, Q5), producing social accounts (Return, Q6) and seeking accredited internal standards (Internal Activities, Q4) - issues that potentially produce promotional material. This issue presents a barrier to Social Enterprises in a competitive environment where it is important to gain recognition and subsequent funding.

5.2.4 Internal Activities

Internal activities, or operations, are concerned with the management and structure of the organisation. These include ways of working and the quality of the service to the end user.

The responses to questions in this section are interesting and highlight significant issues for the sector. In terms of communication, our sample suggested that some had informal systems (Q2 - 33% at stage 2). In terms of quality (Q3) the sample included basic quality policies (33% at stage 2 and 27% at stage 3). In terms of investing in accredited standards (Q4), our sample suggested many were more informal (43% at stage 2) and ambivalent towards attaining these types of standards, although there were exceptions (20% at stage 4), which predominantly adopted PQASSO or IiP.

Conversely, our sample felt much more at ease with monitoring their ways of working (adaptability), Q6 - (50% at stage 3, 23% at stage 4) and flexibility (Q5 - 33% at stage 3, 30% at stage 4 and 27% at stage 5) indicating that the internal structures within the Social Enterprise differ greatly to private sector businesses. The informality within Social Enterprises may be a key strength as being innovative, flexible and adaptable are pertinent attributes in environments that are in a state of constant change.

Internal Activities	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	
	% of Social Enterprises at each stage of development					
Q1 'Our internal structure of the business, supports the ways in which we manage.'	0%	10%	27%	40%	23%	
Q2 'We have a clearly identified communication process for managing internal communication'	3%	33%	13%	27%	23%	
Q3 'We have measures to improve/manage the quality of our internal activities'	13%	33%	27%	7%	13%	*
Q4 'Management systems' (ISO - International Standard Organisation, IIP - Investors in People) are used to support organisational values.'	10%	43%	13%	10%	7%	**
Q5 'Our internal activities are flexible to meet the changing stakeholder and organisational environments'	0%	10%	33%	20%	27%	
Q6 'We monitor our 'ways of working' and evaluate our effectiveness on a regular basis'	7%	10%	50%	30%	10%	
Mean % at each stage	5.5%	23.2%	27.2%	23%	17.2%	

** = 3% skipped; ** = 7% skipped*

Table 5: Pilot study results for internal activities

5.2.5 Visioning

Visioning is concerned with the future: planning, strategy building and communicating the future vision. This is the last section in the BSC which brings all the aspects of the analysis into visioning strategies of the future.

Table 6 indicates the responses by managers for this section. Overall Social Enterprises suggested - they were at an advanced stage of maturity across these issues (mean = 41% at stage 4). High levels are seen in the questions on mission statements and strategies Q2 (43% at stage 4) and Q3 (50% at stage 4) communicating those visions. We noted that business planning (Q1) was something that many felt was either informal or that formal plans were out of date (23% at stage 2). For others it was a leading strategic tool (33% at stage 4 and 27% at stage 5). The 'Balance' analysis concluded with a question offering balance as a philosophy through which to manage organisations by. Interestingly, 37% (stage 4) suggested they strived for balance and 43% suggested some quite modestly that they try to adapt to situations - so coming some way towards balance.

% of Social Enterprises at each stage of development

Visioning	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	
Q1 'We use business plans'	0%	23%	13%	33%	27%	*
Q2 'We have mission statements and strategies'	0%	3%	17%	43%	37%	
Q3 'We strive to communicate the visions'	0%	13%	23%	50%	13%	
Q4 'We strive for balance across the organisation'	0%	10%	43%	37%	10%	
Mean % at each stage	0%	12.2%	24%	41%	21.8%	

**= 3% skipped*

Table 6: Pilot study results for visioning

5.3 Summary of 'Balance' findings

- Overall, the findings suggest that many Social Enterprises scored their organisations around levels 3, 4 and 5 for most questions. These findings are significant and very important for those involved in the sector. These findings show that Social Enterprises are well run and organised businesses. It would seem that their social values are of benefit rather than hindrance to their robustness. Certainly, from our experiences of working with private sector SMEs, these Social Enterprises are more organised, better structured and offer more opportunities for people to access learning situations than is common in the private sector.
- In terms of general strengths of this sample of Social Enterprises we see that learning is consistently high scoring across these businesses. Participative decision making and holistic cultures are generally in evidence here, as would be expected in this sector. There is also evidence to suggest that vision and strategy is another area of key strength within the sector, suggesting businesses are entrepreneurial.
- In terms of general weaknesses of this sample of Social Enterprises, we see that there is a low uptake of management systems, from quality standards (internal activities) through to social accounting (multi-bottom line). There are a number of potential barriers or causes for such weaknesses. There may be resource issues - in terms of finances and human resources. There may be skills shortages or there may be inherent characteristics of the Social Enterprise that just don't fit with the rationality of such systems.

- In considering the notion of balance, i.e. similar scores recorded across each of the issues within each organisation's response to the questions, results indicated that most organisations were well balanced. This appeared to be the case whether Social Enterprises were at a maturity level, of say, stage 2 or 3 - or whether they were at levels 4 or 5. Therefore, we found that the majority of Social Enterprises tended to balance across the range of activities. We, therefore, suggest that this model is a very good fit with the sector and the underlying methodology of balance is a successful approach to take when analysing Social Enterprises.
- Although only initial feedback has been received at this stage, of the Social Enterprises we interviewed, the majority found the tool very useful. The Social Enterprises were pleased that the analysis took less that an hour (in most cases) and that instantaneous results were provided within 'Balance'. Further research is continuing with the Social Enterprises to investigate their longitudinal use of the report feature within 'Balance'. The second stage of this research will follow, having secured further ESF funding from Regional Office North West to continue with the project.

6 Conclusions and Implications

The project sought to encourage lifelong learning that was directly linked to everyday business activities by:

- Providing a framework for lifelong learning and best practice within the sector that can then be disseminated and replicated elsewhere through peer support and learning.
- Create an enterprising and learning environment within Social Enterprises, establishing networks among social enterprises and between social enterprises and local support agencies.
- Establishing materials and methodologies that will enhance participation in lifelong learning.
- Highlighting the need for social enterprises to be flexible and therefore adaptable and innovative.
- Evaluating alternative routes to achieving skills uplift within the sector.

The literature review highlighted the need for a project that focused on performance management 'tools' within the Social Enterprise sector. We begin by reviewing definitions of Social Enterprises and worked towards defining an Social Enterprise as a "Businesses with the specific purpose of addressing 'social', 'community' or 'environmental' aims through a business structure that allows them to be sustainable". We produced research to identify Social Enterprise development needs and subsequently developed the 'Balance' tool. The relevance and transferability of the mainstream management concepts being brought across to the 'not for profit' sector was then discussed.

Based on both qualitative and quantitative research methods this report has presented the results of both initial analysis of Social Enterprise needs and responses to the 'Balance' tool. The qualitative findings analysis unearthed the key concepts which became the framework for the 'Balance' tool. The 30 pilot interviews using 'Balance' were presented and discussed around the issues brought to the fore. Further analysis is to be undertaken but some conclusions can be drawn.

Our sample of Social Enterprises demonstrates sectoral and organisational diversity in terms of mission, culture and market requiring different support needs where 'one size does not fit all'.

Multi bottom line

Social enterprises create a range of social and environmental impacts beyond their financial return. They experience tensions and conflicts between these priorities that many mainstream businesses do not face. Social Enterprises, as expected, employ 'multi-bottom lines' instead of a purely financial focus, as found in many commercial firms. Our sample highlighted that they focus on accountability in terms of social value and sustainability, as well as financial viability (contrary to previous research that suggested Social Enterprises are weak in this area). However, we found the development of the 'multi-bottom line' was a reaction to the demands for targets from funders and contractors. Proactive systems and measures that can offer a unique selling point to the market have been slow to take off. In defence of the sample, intangibles are difficult to quantify and methods used, such as social accounting, have received criticism.

The research has identified a need for skills uplift in the area of multi-bottom line. The project works to address this through focusing on the needs of social enterprises in terms of developing a greater understanding of the social and financial 'bottom-line'. Although we encourage managers to think about these issues, further academic researchers, champions of 'best practice' examples and sectoral support agencies need to work closely with Social Enterprises to develop appropriate learning support strategies and policy in order to develop this area for social enterprises. This is a key enabler to the growth of the sector.

Learning

The findings demonstrate that Social Enterprises take advantage of external informal learning -via networking and work related sector partnerships - rather than external high level management skills training or formal business support. The diversity of the sector means that generic management training packages are not flexible enough to respond to the particular problems felt within businesses at particular stages of development. Business courses tend to be aimed at market exploitation, maximising human and capital and resources, and are judged not to cater for more philanthropic aims. Therefore, locating appropriate training and learning support is problematic. Management training and learning support is required that is more flexible and responsive to the individual needs of Social Enterprises. In particular Social Enterprises require support that is informal and less driven by resource maximisation.

Stakeholder philosophy

It appears that image, branding and identity are a low priority in many Social Enterprises. Interviewees suggested this was due to a lack of appropriate human or/and financial resources within Social Enterprise teams. It may also be the case that Social Enterprises see marketing as something that mainstream businesses 'do' and not for them. A failure to recognise the positive potentials that marketing offers is compounded by the negative assumptions that glitzy images are inappropriate uses of 'surplus' spend - if the financial luxury were to even be available. However, neglect of marketing issues is problematic a unconsidered or poor image may be directly related to low recognition, resulting in potentially less success in securing funding over competitors. A weakness in marketing ideology may also stifle the promotion of social value and production of social accounts. We suggest that, whether because of resources or ideology, there appears to be a connection between the attainment of quality standards and the self-image of the Social Enterprise. Furthermore, we suggest that this is one of the reasons why there is a low response to acquiring accredited internal standard kite marks or awards.

Internal Activities

Informality within our sample of Social Enterprises was very apparent, reflected in the informal communication systems, and less hierarchical organisational structures, than found in many private sector businesses. In many ways, the direction of the enterprise is a holistically driven entity; community, staff, management and society. A key strength in the innovativeness of Social Enterprises is their flexibility, informality and adaptability to environmental changes. The holistic view of an Social Enterprise organisation as a hub of talent and entrepreneurial flair mixed with informal yet inclusive communications is a very micro-sized vision. As organisations grow and complexities rise, many Social Enterprises are seen to reach crises points. Communications become stifled and decisions are slowed down. It is at this point that organisations choose to adopt more formal functions or roles in their businesses (finance, marketing, human resources, etc). Many illustrate a traditional hierarchy with roles and responsibilities attached to each level - while others demonstrate a satellite structure showing a central hub with service arms - again usually functionally divided. We suggest that further research is required to investigate the successes of such structures. Further research is required into how well Social Enterprises adapt to these more conventional approaches, brought over from the business world. It is possible that the cultures within Social Enterprises may not dovetail suitably with the business world.

Some interesting anomalies occurred within the research, which may reflect the small sample size or regional culture. Responses indicate an ingrained (informal) learning culture. However, cross-comparison of results shows that this may be an overstatement. As Social Enterprise managerial structures tend to be flatter, with a participatory culture and a strong sense of social mission and community (Social enterprise London, 2001) there appears to be a lack of mechanisms and infrastructure for surfacing skill gaps so the social enterprises may not be aware that they have a skills gap. This indicates further research is needed, for example interviewing staff rather than managers.

Visioning

The results suggested that many Social Enterprises consider themselves to be at a maturity stage across the issues of planning, strategising and visioning. We noted that business planning was something that many felt was either informal or out of date, yet visioning led by mission strategies were more appropriate. The ‘Balance’ analysis concluded with a question offering balance as a philosophy through with to manage organisations (i.e. similar scores across each area of development). Results indicated that most organisations were well balanced. This appeared to be the case whether Social Enterprises were at a maturity level, of say, stage 2 or 3 - or whether they were at levels 4 or 5. We therefore, suggest that this model is a very good fit with the sector and the underlying methodology of ‘balance’ is a successful approach to take when analysing Social Enterprises.

Implications

This project provides a mechanism, through the development of the benchmarking tool, to allow organisational capacity to be assessed and skill and learning needs to be surfaced. It also informs and encourages the development of innovative learning support solutions that take account of how managers learn and utilise informal sources and develop organisational capacity within networks. Thus being flexible and responsive to the needs of the social enterprise sector. There is evidence here to suggest that 'tools' developed for Social Enterprises need to be 'informal', non-generic and based on 'experiential' learning (ergo acquiring tacit knowledge through experience or based on other Social Enterprises experience or developing knowledge through thinking through scenarios). By offering suggested pathways for growth but allowing Social Enterprise managers themselves to decide if it is strategically important for them to take this advice, 'Balance' ensures that management of growth is retained in the hands of the manager; they decide to interpret the action steps as they see fit and follow through should they feel it is important.

The initial feedback on the tool has been positive. Most Social Enterprises suggested what they found most satisfying was going through the self-assessment - a key finding for practitioners for engaging the SME community in research and reflective thinking. For many this was a chance to 'lift their heads up from the parapets' and take time out to think and reflect on their organisations, their processes and their markets. Furthermore, to look for strengths and weaknesses - to highlight achievements and indicate pockets for improvement - ultimately to help map future plans. The vast majority expressed positive comments about the content - however some issues have been raised in regards to the web based presentation, raising concerns about usability for people with disabilities. This matter is to be addressed by potentially re-designing or formatting the tool for 'AA standard'. Many Social Enterprises suggested that there are not enough stages (1,2,3,4 and 5), some respondents felt that they were 'in-between stages' - $3^1/_2$ etc and suggested a wider (Likert scale) range. This issue will be considered in the ongoing project to further develop Balance.

Further issues to be followed up in the coming months, include the observation that not all those who were approached to pilot the tool on-line (at distance from the researcher) had actually completed it. Yet, all of the Social Enterprises that were guided through the tool on a face-to-face basis with the researcher completed the tool immediately.

A second phase of research is to study the longitudinal impact of the tool, the actions of the Social Enterprises in response to the suggested actions within the 'Balance' report and the key strengths that 'balance' can provide for the sector - be it diagnosis, benchmarking or good practice - or all of these.

We were aware of the impending Community Interest Company (CIC) regulation when developing 'Balance' but we did not ask any specific questions about this as it was not in force at the time of the interviews. Further research is merited into what effect CIC or further legislation may have on Social Enterprises.

7 Evaluators Report

Introduction

The evaluation of the ‘Benchmarking Social Enterprises’ project forms an integral element of the original project plan. As well as meeting fundamental requirements of the European Social Fund (Objective 3) and the burgeoning needs of the social enterprises sector as stated in the North West Regional Development Plan and other regional strategy documents, the evaluation has sought to determine:

1. The effectiveness of the design and research development methodology utilised.
2. The quality of the project management, its governance and how strategic interventions were uncovered in order to enhance its performance and sustainability of nascent and established social enterprises.
3. The effectiveness and extent of dissemination plans and processes.

Executive Summary

The Project Delivery team was successful in meeting all its objectives, milestones and deliverables within the planned project timeframe. The development of the Benchmarking tool, ‘Balance’ has permitted research findings that will contribute markedly towards a deeper understanding of the burgeoning social enterprise sector.

The piloting phase of the Tool has provided 30 social enterprises at varying levels of market penetration and corporate development to benchmark their businesses and identify pathways for continued corporate development through ‘Balance’ which has given a greater comprehension and awareness of strategic issues.

It remains to be seen whether ‘Balance’ will be taken up by social enterprise business support agencies and by social enterprises in a sustained manner. However, it would seem from the completed pilots that such a Tool is in high demand. Few tools exist to provide a useful diagnostic of social enterprises for social enterprises. A continued role for the project is therefore foreseeable with also a role for local business providers, social entrepreneurs, government agencies and third sector organisations.

1. Design and Research

Part of the dilemma of constructing a Benchmarking tool for social enterprises is that the very nature of social enterprises is diverse, with marked differences in the range and depth of the products and services offered. Some social enterprises are created from a grassroots community base; others are more aligned to social and ideological models. There are also private sector models of social enterprise where issues of corporate social responsibility hold true.

With the context of social enterprise in mind, my organisation was one of the organisations that tested ‘Balance’ out on-line to verify its utility to social enterprises. The Project Team constructed the research in such a way as to interview and meet with a variety of social enterprises and entrepreneurs to determine the foundational aspects that the perceived ‘Balance’ benchmarking diagnostic tool would contain. The feedback loop built into the design methodology was essential for ensuring that the Tool met the requirements of the wide range of different types of social enterprise.

‘Balance’ is relatively intuitive and has been structured into five sections, namely: Return - Bottom-line, A Learning Organisation, The Stakeholder Environment, Internal Activities, and Visioning. The sections are easy to follow especially if one has a good theoretical understanding of business. Certainly, ‘Balance’ will make social entrepreneurs think deeper about aspects of their business that they otherwise would.

The Tool is quite flexible and clients can complete the on-line assessment in any order, but they have to complete Visioning last. This flexibility is good for those who prefer to complete sections before others. An assumption of the Design Methodology is that social entrepreneurs do have access to the Internet and are relatively at ease with computer technology. However, this may not be the case for all entrepreneurs.

2. Project Management and Governance

Throughout the duration of the project, I was part of the Steering Group and from the very initial stages, the Project Team was at pains to have a broad-based coalition of partners willing to provide guidance and support, representatives from social enterprises, support agencies and public sector individuals with an interest in developing the burgeoning social economy.

The Steering Group meetings took place on a regular basis with detailed update reports, including GANTT charts and breakdown of research findings. Towards the culmination of the project, I was consulted again to provide feedback about the Tool, where I also consulted with colleagues and other organisations to provide detailed feedback.

From the Steering Group meetings and from one-to-one meetings with social enterprises, where individuals were interviewed at length, the project team built a basis for gearing what became ‘Balance’ to meet the stated needs (implicit and explicit) of the social enterprises.

The Project was part-funded by the European Social Fund and as such it adhered to stringent auditing requirements at all stages. Regular and accurate claims were made and all organisations involved in the project provided timesheets and invoices.

3. Dissemination Plans and Processes

From the initial stages, the Project Team has sought to disseminate the project's findings as widely as possible. At the project's initiation, social enterprises and business support agencies were involved in the research, at Steering Group and Management level. These formal and informal networks formed an important element of the project's dissemination.

The Project Team has made the wider community aware of the research through published articles such as in Enterprising magazine, a Manchester social enterprise review. Additionally, the Project Team has disseminated the work through a launch of the Tool where it was demonstrated to a group of social enterprises and business support agencies at MMU using state-of-the-art computer facilities.

A key component of the project's Dissemination Plan was the dissemination event entitled 'Business Performance in Social Enterprises' at MMU. This took place at the very end of the project and was a celebration of the project's achievement, incorporating the findings of the research and the methodology utilised, a demonstration of 'Balance' and an opportunity for interested parties to network.

Throughout the duration of the project, the ESF logo has appeared on all publicity material and internal documents reflecting the input made by the European Social Fund. Additionally, the Steering Group, pilot projects, social enterprises and other agencies have helped to form the networks through which the project's achievements have been communicated.

General Conclusions

The Benchmarking Tool 'Balance' has arrived at a crucial juncture in time when social enterprises are becoming more recognised for what they bring and what their true potential can be, not only in terms of public service delivery but in developing deprived areas and much more.

There appear to be areas where 'Balance' could be improved and possible ways of doing so. Part of the dilemma of creating a Tool such as 'Balance' for a nascent economy is that it is challenging to find a diagnostic tool that will 'fit' all the types of emerging and existing social enterprises. Also, a diagnostic tool has more relevance if a comparison with similar organisations can be made. What is ultimately needed is a Tool that can reflect the diverse nature of the Social Economy and Social Enterprises and a Tool that will be a catalyst generating dynamic, sustained growth - now and in the future. This can perhaps be most easily achieved by linking with existing business support provision for social enterprises where a diagnostic tool such as 'Balance' could add real value to the advice and guidance currently on offer.

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Appendix

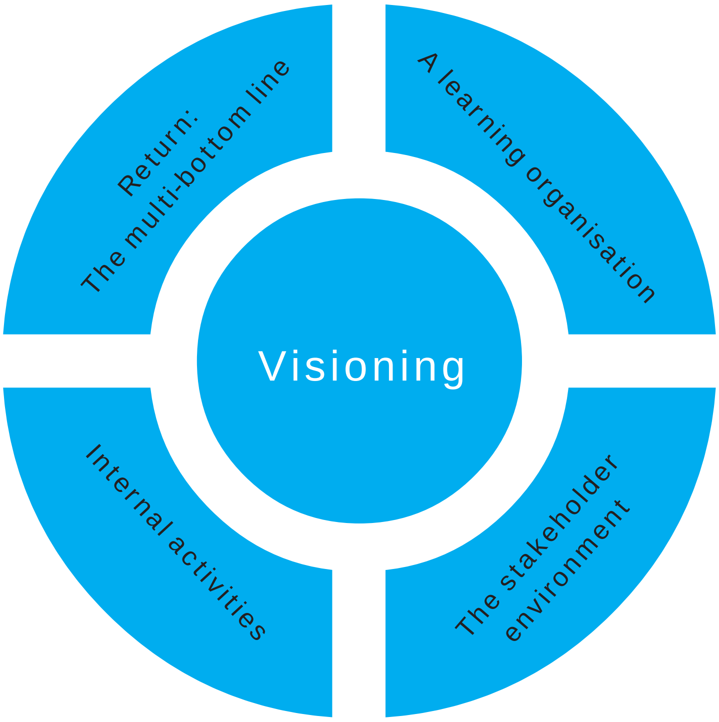

Figure 6: Balance Model

Key

Return: The Multi Bottom Line: Specific to Social Enterprises is the belief that businesses are run for social and or environment impacts. This section assesses organisational ability to focus, measure, control and publicise those strengths.

Learning: This section assesses the commitment as an organisation to learning through training, managing knowledge and the culture of the organisation.

Stakeholder Perspective: This section considers how well the organisation portrays itself to the various external agents that affect the organisation. Marketing, promotion and image are included.

Internal Activities: The internal activities, or operations, are concerned with the management and structure of the organisation. Ways of working and the quality of service to the user.

Visioning: Visioning is concerned with the future; planning, strategy building and communicating the future vision. This section concludes the analysis and must be completed last in order to conceptualise the previous four sections, bring all the aspects of the analysis into visioning strategies of the future.